

# THE DEPARTMENT OF STATE



# Bulletin

Vol. XXXIX, No. 1015

December 8, 1958

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OFFICIAL  
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THE DEPARTMENT OF STATE

# Bulletin

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## Principles and Policies in a Changing World

*Address by Secretary Dulles<sup>1</sup>*

It gives me great pleasure to participate again in one of the World Order Study Conferences organized by the National Council of the Churches of Christ in America. I vividly recall previous World Order Study Conferences. They have been sources of enlightenment and of inspiration. I recall particularly the study conference held at Delaware, Ohio, in 1942. It approved an authoritative "Statement of Guiding Principles," and that led to the formulation of the "Six Pillars of Peace." Our religious people mobilized in support of that program for world order and made a decisive contribution to the establishment of the United Nations as a world organization for peace and justice.

As we said at that time, the churches do not have a primary responsibility to devise the details of world order. They do have a responsibility to proclaim the enduring moral principles by which governmental action as well as private action should constantly be inspired and tested.

I assure you that President Eisenhower and his Secretary of State accept it that, as put in the first Guiding Principle, "There is a moral order which is fundamental and eternal, and which is relevant to the corporate life of men and the ordering of human society." We seek conscientiously to act in accordance with that concept. We welcome the development by and through the churches of a citizenry which is alert to promote and assure that result.

We hope that this study conference will generate an ever-stronger national will in favor of policies which conform to the Guiding Principles of 1942.

<sup>1</sup> Made before the World Order Study Conference of the National Council of the Churches of Christ in America at Cleveland, Ohio, on Nov. 18 (press release 701).

These remain, in my opinion, a declaration of enduring worth.

### **Interdependence**

United States foreign policy rests on two propositions: We want peace, liberty, and well-being for ourselves; and we cannot be sure of peace, liberty, or well-being unless other nations also have them.

No government can do its duty to its own people if it rejects the concept of interdependence.

I recall a paper entitled "Long-Range Peace Objectives" which I submitted in September 1941 to the Commission on a Just and Durable Peace. It urged that the nations of the world should unite "to accept the principle that national interdependence now replaces independence." This principle is coming more and more to be recognized and applied. Thus the normal requirement that a government serve its own nation must, under present conditions, include concerns which are worldwide.

Success in our national goals requires that we have the vision to see, the hearts to understand, and the minds to resolve the problems of the world in which we live.

### **The Changing World**

The Guiding Principles and the Six Pillars of Peace both emphasized the need of adapting world order to change. The world, it was said, "is living and therefore changing," and consequently an attempt to freeze any order of society "is bound, in the long run, to jeopardize the peace of mankind."

The problem of change is the primary subject of this conference. It may, therefore, be helpful if I direct myself to this problem of change as seen by a Secretary of State.

Let me first of all identify six areas where forces for change are conspicuous.

1. There is change from colonialism to independence. Within the last 15 years, 700 million people of 21 countries have won political independence. This trend will continue, and it brings with it many new problems. For the grant of political independence is not an end but a beginning. It produces new responsibilities, new aspirations, and new perils.

2. There is change in vast areas heretofore in frozen inaccessibility. The Arctic and the Antarctic have joined our living world. The Arctic now offers the new routes whereby men can quickly establish contact with each other. And in the south, Antarctica, probed by the Geophysical Year, reveals new and exciting possibilities of service to mankind.

3. There is change in the world of physical power. The splitting of the atom has revealed new sources of power so potent and so omnipresent as to imply a new industrial revolution. This new power has already changed the nature of war, and, if atomic warfare does not destroy us first, it will also change the nature of peace.

4. There is change in the firmament above us. Formerly for human beings the "sky was the limit." Now science is opening up outer space, with consequences which, as yet, we sense but dimly but which will surely hold possibilities of vast purport for peace—and for war.

5. There is change within the society of nations. International communism, claiming to be the most "internationalist" of all organizations, seeks to unify and harmonize the world by gaining control of all national governments. Within a generation it did win control of all or major parts of what were 16 independent nations with total populations of some 900 million, or one-third of the world's population. It has a powerful subversive and propaganda apparatus in most of the non-Communist countries. It is striving vigorously to unify the world under its rule.

There is counterpart change within the non-Communist countries. Their peoples cherish values incompatible with Communist rule. They tend to draw together in the face of common danger and are more than ever before a cohesive force in world affairs.

6. All this requires that world society should

develop from one of anarchy to one of order. There is a need to assure that competitive efforts shall be conducted by peaceful means and not start a war that could consume us all.

Truly, we live in a veritable whirlwind of change!

Our national response to this challenge of change should not be merely a defensive reaction to the thrusts of Communist imperialism. The inevitability of change should be greeted as opportunity to make the world one that measures up more closely to Christian ideals. Let me suggest how we can make it so.

### **The Independence Movement**

I speak first of the independence movement.

The United States supports political independence for all peoples who desire it and are able to undertake its responsibilities. We have encouraged and we rejoice at the current evolution.

We must, however, recognize that under present conditions newly created nations face a formidable task. They are marked out by international communism as special prey. It is classic Communist doctrine, enunciated by Lenin, that communism should initially stimulate "nationalism" in order to break the ties between colonized areas and the colonial powers. Then communism should move in to "amalgamate" the newly independent peoples into the Communist bloc.

Today international communism vigorously pursues that strategy. It seeks to distort nationalism into extremes and to poison relations between the newly independent countries and the West. Meanwhile it seeks to subvert and take over the new and inevitably inexperienced governments. There is great danger that newly granted independence may turn out to be but a brief interlude between the rule of colonialism and the harsh dictatorship of international communism.

The fact of that risk must not, however, lead us to abandon our basic faith in the right and capacity of peoples to govern themselves. What is needed is to reinforce that faith with a resolve to help the new nations to solve their problems in freedom and thus to preserve their newly found independence.

In this respect private charities are vitally important. They are not politically suspect and can



provide a sense of spiritual fellowship not readily possible in intergovernmental affairs.

But the magnitude of the task requires also government action. So, in respect of both newly independent countries and other less developed countries, our Government should help. We now seek to do so in a variety of ways.

We encourage educational exchanges and "leader" visits so that there can be mutual understanding of the diversities that enrich the free societies.

We are projecting major international public-health programs.

We provide technical assistance, both bilaterally and through the United Nations, so that others may learn how to help themselves to achieve a better life and a more secure independence.

We send our surplus agricultural products in large volume to meet the needs of hungry peoples.

We provide funds for economic development. Private capital, which is available in vast amounts, inevitably plays the primary role. Government funds and guaranties are limited in amount. But they are an important part of the job.

Even more than aid, expanding trade is essential to the well-being of all countries. Our Government protects its labor and industry in certain respects. But it does seek, through the reciprocal trade program, to provide stable conditions of trade with the United States. And we seek to help mitigate sharp fluctuations in the prices of primary products. This year the Congress extended the trade agreements program by 4 years. This is the longest extension ever given.

I should like at this point to express appreciation of the support given by our churches to our nation's aid and trade programs. I should also like to add that I do not expect, or indeed want, you to be satisfied with what government is doing in these respects. Both the Executive and the Congress need the stimulus of public concern.

The new and the less developed countries are always subjected to the lures of international communism. But their leaders are not blind to the dangers to their independence that underlie the Communists' offer of so-called "assistance." They look to the United States as a nation with which they can maintain relationships which will add to, not subtract from, their lasting independence. We must prove worthy of their trust and confidence.

## The Polar Areas

I turn now to the polar regions. These, north and south, have suddenly acquired immense significance.

Last month I found at first hand that the shortest distance between the Eurasian land mass and North America is through the Arctic. My travel was on a mission of peace; and in ever-increasing numbers men and women are traveling similar routes in peaceful pursuits.

But also, as the Soviet Government has menacingly pointed out, these polar routes are the shortest routes for the passage between the Soviet Union and North America of powerful instruments of death.

Our task should be to assure that this newly opened area is made safe for the world.

Over a year ago we proposed a system of international inspection of the Arctic area that would reduce the danger of surprise attack over that polar region and the danger of miscalculation.<sup>2</sup> Last April we renewed that proposal in the United Nations Security Council. All of the nations having territory in the Arctic area, except the Soviet Union, and all of the members of the Security Council, except the Soviet Union, supported this project.<sup>3</sup> But Soviet veto was then an insurmountable block.

However, we persist. We hope that the technical discussions now begun at Geneva to consider how to protect against surprise attack will contribute to the security of peace in the Arctic as in other regions.

In Antarctica even more can reasonably be sought. It should be possible to assure that this vast new continent and its resources will never become a subject of international conflict or a threat to world peace and security. The United States has proposed that the countries which have heretofore shown particular interest in Antarctica, including the Soviet Union, join in negotiating a treaty to guarantee the peaceful use of Antarctica and continued international scientific cooperation there.<sup>4</sup> That proposal has been accepted in principle by all of those invited, and plans for a conference to negotiate the treaty are now actively under way.

<sup>2</sup> For text of the Western disarmament proposals, see *BULLETIN* of Sept. 16, 1957, p. 451.

<sup>3</sup> *Ibid.*, May 19, 1958, p. 816.

<sup>4</sup> *Ibid.*, June 2, 1958, p. 910.

### Atoms for Peace

In the world of the atom the United States has pioneered. Today scientists of many nations share knowledge of this incredibly great force. The need, as President Eisenhower put it in 1953, is "to find the way by which the miraculous inventiveness of man shall not be dedicated to his death, but consecrated to his life."

So we continue to develop and to spread knowledge of the peaceful uses of atomic energy. To this end we have bilateral arrangements with 42 nations. We are arranging to supply reactors to 16 nations. Negotiations are under way with others.

We have developed close and constructive relations with EURATOM, the atomic agency of six Western European nations.

Pursuant to the President's proposal of 1953, the International Atomic Energy Agency was finally established in 1957. The delay has been unfortunate, but we believe that the agency has an important role to play in assuring the increasing, and safe, use of atomic energy for peaceful purposes.

We also want to make sure that atomic energy shall *not* be used for *war* purposes. This could have been done dependably in 1947. Then the United States had a monopoly which it offered to subordinate to a system of worldwide international management and control. Now the problem is far more difficult.

Future production of fissionable material can, we think, be dependably controlled, and we propose that it should be internationally controlled to assure its use for peaceful purposes only. Already existing weapons stocks, now possessed only by the Soviet Union, the United Kingdom, and the United States, are an internationally unknown—and unknowable—quantity. But we propose that these existing weapons stocks should at least be depleted by transfers to peace stocks in agreed annual ratios.

In such ways we propose to reverse the trend which now is building up atomic and nuclear power to proportions that endanger all humanity.

### Outer Space for Peace

The United States has also begun planning for the use of the newly penetrated realm of outer space. Last January President Eisenhower pro-

posed to Chairman Bulganin "that we agree that outer space should be used only for peaceful purposes. We face a decisive moment in history in relation to this matter."<sup>5</sup>

This bilateral proposal has now been advanced in the broader forum of the United Nations, for it is of concern to all nations.

So far the Soviet attitude has been evasive. But we feel confident that our viewpoint will prevail, if for no other reason than that the Soviet Union will finally see its own welfare in that result.

Meanwhile our own civilian space agency, the National Aeronautics and Space Administration, has been established by the Congress and has begun its work. It will help to devise and implement programs for the peaceful use of outer space.

What we have said about the Arctic, the Antarctic, atomic power, and outer space suggests a new principle. As change opens up new areas of worldwide concern, where *national* control has not yet entrenched itself, let us seek the maximum possible *international* status.

### The Challenge of International Communism

Within the Soviet Union Communist rule is bringing about a state which, industrially and scientifically, is modern and powerful. That, of itself, creates no problem for the United States. Our nation has no quarrel with the Soviet Union as a nation. The United States is, however, compelled to recognize that the growing military and economic might of the Soviet Union is something that international communism can commandeer for its expansionist purposes whenever it chooses to do so.

We oppose international communism for its creed and practices are irreconcilable with the principles of our faith.

Our faith is that each individual has his origin and destiny in God and thus has a spiritual nature and personal dignity. Therefore we must oppose the treatment of the individual as merely an animated bit of matter to be used to promote the organization of the world in accordance with materialistic principles.

Our faith is that all men are endowed by their Creator with certain inalienable rights. Therefore we must oppose the extension of a system

<sup>5</sup> *Ibid.*, Jan. 27, 1958, p. 122.

which denies the individual any rights as against the dictation of international communism.

Our faith is that just government rests upon the consent of the governed. Therefore we must oppose the extension of absolute despotism under the guise of the "dictatorship of the proletariat."

Our faith is that the basic guides of human action derive from the love of fellow man, the self-control and self-restraint which are enjoined by moral law. Therefore we must oppose the extension throughout the world of an iron rule that would enslave the minds and bodies of men and seek to break their spirits.

There are some who seem to feel that, because international communism is a powerful and stubborn force, we should give way before it. Nothing could be more dangerous than to operate on the theory that, if hostile and evil forces do not readily change, it is always we who must change to accommodate them.

Communism is stubborn for the wrong; let us be steadfast for the right.

A capacity to change is indispensable. Equally indispensable is the capacity to hold fast that which is good.

So it is that, while we seek to adapt our policies to the inevitability of change, we resist aspects of change which counter the enduring principles of moral law.

But let us make our opposition not just a barren negative but a positive alternative.

### **The Weaknesses of Communism**

Despotisms, with their iron discipline, their materialistic productions, their hard and glittering exterior, always seem to have the advantage over democracies, which advertise their differences to all the world and which often appear as about to fall apart.

The fact is that the despotisms are always weaker than they appear and the free nations are usually stronger than they seem.

International communism has many elements of strength in its monolithic, despotic, disciplined system. But it also has important weaknesses and confronts many dilemmas. There is nothing "inevitable" about communism except that it, too, is bound to change. The forces for that change are already at work and discernible. For example:

1. The Soviet Government educates more and

more of its people, particularly in science and its applications. It does so because it seeks supremacy in that field. But education and enforced conformity of mind do not go hand in hand. Education that equips minds to find the ways to penetrate outer space also equips them to penetrate the fallacies of Marxism and its glittering slogans.

2. There is also a growing demand for greater personal security. Already there has been some relaxation of Stalin's brutal police-state methods. And in this less frightening, though still forbidding, atmosphere, individualism tends to assert itself.

3. There is an increasing demand on the part of the peoples under the Soviet rule for more consumers goods, more of the fruits of their labor.

4. In the satellite countries of Eastern Europe outbreaks, such as have occurred in East Berlin and East Germany, in Poland and in Hungary, show that nationalism and individualism are not extinguished even by massive and sustained pressures. The Soviet rulers must either grant more independence, and thus liberate forces which oppose the existing regimes, or else they must revert to the Stalinist tactics of brutality and face the increased likelihood of violent revolt and worldwide abhorrence.

5. A Soviet foreign policy of violent threats no longer brings results in the face of free-world strength and solidarity. The Soviet rulers therefore resort to policies which they profess to be policies of friendliness, where their predatory purposes are played down. By so doing they develop a vested interest in respectability. That is a trend that we welcome and encourage.

6. A clear demonstration of the basic weakness of Communist rule lies in the fact that, whenever people have an opportunity to move into, or away from, a Communist area, the movement is always away.

Of the Chinese Communist prisoners taken in Korea, two-thirds rejected repatriation, and from Communist China the people flee to Hong Kong and Macao.

In Korea about 2 million have gone from the North to the South.

In Viet-Nam nearly 1 million went from the North to the South.

During the Hungarian rebellion 200,000 escaped to freedom.

In Germany over 3 million have gone from East to West.

The Communist rulers have shown a formidable capacity to impose their rule. But never have they overcome the attraction of freedom. Indeed, the evidence suggests a "law" of popular gravitation from Communist despotism to democratic freedom.

Let us note that the internal pressures which will change the character of Communist rule gain in weight as that rule is denied external successes. Mr. Khrushchev, in his February 1956 speech denouncing the brutal Stalinist "cult of personality," explained that it could not have been changed earlier because of the successes Stalin was gaining. So it is that the free world's effective resistance to international communism will bring nearer the day when the Sino-Soviet rulers will be more concerned with the welfare of their own people and less concerned with exploiting those people for expansionist purposes. When that day comes, our relations may be happily dominated by the natural good will and friendship that has always prevailed between the peoples of Russia and of China and the peoples of the United States.

#### **The Organization of Peace**

Let me speak now of the organization of peace.

We devote continuous and intensive efforts to the matter, recognizing that severe strains and stresses such as we have noted make peace precarious.

We do not think that peace can be made either just or durable, or that change will be beneficent, by a policy of placating aggressors or by retreating wherever force threatens. History has clearly demonstrated that such a course does not assure peace.

Neither do we believe that peace can be achieved by maneuvers of expediency—by "power politics." Quite apart from moral considerations, expedience and opportunism are not practical in our democracy. Here the people are the masters and government is the servant. The American people would not understand, even less tolerate, a foreign policy which was erratic or shift in character. Also, our collective-security efforts would surely collapse if our free-world associates felt that they were tied to policies which shifted under the dictates of passing expediency. They do not always like it when we adhere to principle. But they would be even more unhappy if we had no principles.

Thus, for practical as well as moral reasons, it is mandatory that the United States adhere to certain well-defined basic principles.

The charter of the United Nations constitutes an expression of sound principles upon which peace might be based. By the charter of the United Nations its members pledge themselves to refrain "from the threat or use of force against the territorial integrity or political independence of any state, or in any other manner inconsistent with the Purposes of the United Nations."

The United States has consistently supported this principle even when to do so risked war or the alienation of friends. The Truman doctrine for Greece and Turkey, the Berlin airlift, the Korean war, the Suez crisis, the Eisenhower doctrine for the Middle East, the support given to Lebanon, the stand against Communist armed aggression in the Taiwan (Formosa) area—all testify to the dedication of the United States to the principle that force should not be used for aggrandizement or to resolve disputes.

The charter also pledges the members of the United Nations to seek the settlement of international disputes "in conformity with the principles of justice and international law." And "justice" is increasingly interpreted broadly to include social as well as juridical considerations.

The United States has endeavored, by its own example and by its expositions in the United Nations, to emphasize the importance of law and justice. For in the long run peace cannot be divorced from justice.

We cannot feel satisfied that either renunciation of force, or justice and international law, have yet achieved their rightful place as pillars of world order. International Communists do not share the charter's concepts either with respect to the nonuse of force or as to justice and international law. Communists deny that there is such a thing as "justice" in our meaning of the word. And both the Soviet Union and the Chinese Communists have repeatedly invoked force to achieve their ends.

In the Security Council the Soviet Union has used its veto 85 times to obstruct the will of the majority in relation to matters of world security. In the General Assembly, where there is no veto power, it flouts actions that cross its purposes. Korea and Hungary are examples.

Since therefore we cannot depend upon the United Nations alone to safeguard the peace, we



must and do take additional action for collective self-defense, as authorized by the charter.

The United States maintains, at great expense, a powerful military establishment. We do this not from any competitive desire to be superior at every point to those who glory in military grandeur. We do so out of concern for the effective defense of the principles upon which peace must be based. If there are some who do not accept those principles, they must at least accept the fact that violation of them, and resort to aggression, will be bitterly costly to themselves. We believe that this fact constitutes an effective deterrent to breaches of the peace and must be a main reliance until world order can be effectively based on supports that are universal.

Our own military establishment is nothing that we shall ever use for aggressive national purposes. Our military establishment is a power held in trust for the benefit of many nations. Because that is so, we make known to all the world the principles to which our force is dedicated and the policies which it supports. We invite consultation with reference to these principles and policies and are prepared to modify those policies whenever it seems that this is in the general interest.

We would of course prefer it if the United Nations itself had the power and exercised the responsibility for world peace. We have repeatedly sought to have the United Nations move in this direction. But this is persistently opposed by the Soviet Union. So we seek the closest practicable alternative.

Never before has a nation possessed of great military power so dedicated that power to be the shield of all who, having freedom, would retain it. Here, again, the United States is pioneering in the realm of world order.

#### **The Role of Negotiation**

We do not, in all of this, exclude the possibility of bolstering world order by agreements with the Sino-Soviet rulers. Within the past 6 years we have made several such agreements.

The United States, on behalf of the United Nations, negotiated the agreement that ended the Korean hostilities.

We participated in the negotiations that ended the fighting in Indochina.

We are now negotiating to end the hostilities in the Formosa area. We seek reciprocal renunciations of dependence upon force to achieve political

objectives. The Government of Free China has indicated its receptivity. So far the Chinese Communists reject that concept. Nevertheless we continue our efforts.

The United States took a leading part in concluding the treaty that in 1955 liberated Austria.

The negotiations that led to the creation of the International Atomic Energy Agency were, in essence, 4 years of negotiation with the Soviet Union.

We have made a comprehensive agreement with the Government of the Soviet Union for exchanges in the fields of culture, science, and information.

However, our ability to achieve results by agreements is limited because it is impossible to rely upon the promises of governments of the Sino-Soviet bloc. These Communist rulers believe, in the words of Lenin, that "promises are like piecrusts—made to be broken." There is a tragic record of those who have been trapped by such promises. However, we constantly search for areas where useful and dependable agreements can be made.

#### **Disarmament**

One such area may be that of arms control.

The possibilities in this respect have slightly mounted in recent months. The Soviet Union has rejected our comprehensive disarmament proposals. But it has lately shown a disposition to consider with us and our allies what is the heart of any dependable "disarmament" arrangement, namely, the ability to verify performance.

A conference of Soviet and Western experts at Geneva recently reached technical agreement on certain measures required to control an international agreement to suspend nuclear testing. Now political negotiations have begun in an effort to translate the technical possibilities into dependable reality.

Technical discussions also began last week to seek definition of the measures required to lessen the danger of surprise attack, such as President Eisenhower's open-skies proposal. If such measures could be agreed on and adopted, a significant step forward would have been taken.

It is difficult to overstate the importance of accomplishment in what is called "disarmament." Mankind cannot long live under the threat of such destruction as is now possible without a great debasement of physical, social, political, and moral values. We have to ask ourselves, "Must



we, in order to survive, learn to live as moles within the earth's crust for protection against the blast, the heat, and the radiation of nuclear weapons? And must we be enslaved by the staggering and ever-mounting cost of armaments?"

All who love liberty and who would enjoy its blessings and bequeath them to posterity must unite to dominate the new materialistic forces which threaten to drive mankind back along the path by which it has slowly emerged from a primeval condition. We must take as our working hypothesis that what is necessary is possible, and we must make it so. We must assume that what man by his ingenuity has created, man by his wisdom, resourcefulness, and discipline can harness and control.

### **Changing Ourselves**

I have tried to outline to you some of the policies of your Government designed to meet the challenge of a changing world. I should like in conclusion to emphasize the dependence of our policies upon individuals. Under our form of society it is individuals and not government who have the decisive role to play.

There are many who feel that government has the primary if not the sole responsibility and that they, as individuals, can be spectators or at most occasionally ask their government to take certain action. In reality the basic issue is, can a free society like ours produce the dynamic faith and the good fruits required to meet the challenge of change? Or must the world accept a new Dark Age during which freedom of thought and belief are stamped out in an effort to achieve through conformity a mechanistic perfection?

Our nation was founded by those who felt it their personal mission not just to accommodate themselves to change brought about by others but to be themselves a force for change. Their sense of mission derived largely from their strong religious faith. That found expression in our Declaration of Independence, of which Lincoln said, it meant "liberty not alone to the people of this country, but hope to all the world, for all future time. It was that which gave promise that in due time the weights would be lifted from the shoulders of all men, and that all should have an equal chance."

Our founders and their successors saw a great prospect and were filled with a great purpose. In

order better to fulfill that purpose, they practiced simple virtues—hard work, frugality, personal charity, and the exercise of self-discipline and self-control.

Under the impulsion of their faith and works, there developed here what became known as the "Great American Experiment." It caught the imagination of men everywhere. Under the impact of our conduct and example the tide of despotism, which was high when our nation was founded, receded.

Today, when despotism again rides high, our society is closely observed. Many find us lacking.

In terms of faith we seem unable to articulate a basic philosophy for our times which carries deep conviction and strong appeal.

In terms of works we seem to be treating freedom as an opportunity for moral license and our productive power often seems to be dedicated to frivolities rather than fulfilling vital human needs.

We often seem to be as materialistic as the Communists but without their supporting philosophy and efficiency.

Surely, when we concern ourselves with "change," we must not ignore the need to change ourselves.

I recall that Woodrow Wilson, in an article written a few weeks before he died, appraised the threat of the revolutionary doctrines and practices of communism. He concluded:

The sum of the whole matter is this, that our civilization cannot survive materially unless it be redeemed spiritually. . . . Here is the final challenge to our churches, to our political organizations, and to our capitalists—to everyone who fears God or loves his country.

It is my earnest hope that this study conference called by the National Council of Churches will make its indispensable contribution to the spiritual redemption of our nation.

### **Letters of Credence**

*Jordan*

The newly appointed Ambassador of Jordan, Midhat Jum'a, presented his credentials to President Eisenhower on November 18. For texts of the Ambassador's remarks and the President's reply, see Department of State press release 699.

## The Interplay of Political and Economic Factors in Foreign Policy

*by Deputy Under Secretary Murphy<sup>1</sup>*

We in the Department of State look forward to these annual meetings of the National Foreign Trade Council because we find in them stimulation and ideas which are distinctly helpful to us in the conduct of our foreign policy generally. That is why it is a distinct privilege to be able to add a few comments to your deliberations, not as an economist but with especial reference to the projection of our political policies abroad. I have in mind the political implications—the meaning—of our foreign economic policy.

Briefly, the purpose of this policy is the promotion of world trade and production and flow of international investment. As in the case of our political policy, our purpose is to promote the welfare and security of the people of the United States as well as of friendly peoples throughout the world. As a concomitant our purpose is to promote the independence and stability of the governments of the free world. This is of course not a new doctrine. It has been stated in different ways on a number of occasions, in the Atlantic Charter and in our guidelines for the United Nations and its related organizations in the economic field. I believe on balance that it represents the sentiment of the American people.

Perhaps never before in world history has the interplay between political and economic factors been as close and important as it is in the world today. Political steps are taken by nations for economic reasons and economic steps for political reasons. Among these factors the Soviet Union with utter frankness demonstrates that virtually all its economic moves are made for political rea-

sons. Chairman Khrushchev has recently said to a United States visitor: "We value trade least for economic reasons and most for political purposes."

To some extent this has been true throughout history. From ancient times, it has been a common stratagem in subjugating an enemy to starve him, to cut off his water supply, his trade routes, to deprive him of fuel, or by any other nonlethal "economic means" to defeat him. The blandishment of gifts and tribute has at times played a very important part in this pattern. Economic warfare in time of war has not been unknown to our own country.

It might be useful to ask ourselves: In just what kind of political-economic situation do we find ourselves? A popularity contest with the Russians to win the love of the "uncommitted world"? A knockdown, drag-out fight to prove the superiority of Communist economic statism over free-enterprise capitalism in a world where there is room for one or the other but not for both? Or some twilight sort of "economic coexistence"?

On the one hand, Mr. Khrushchev militantly states to an American visitor, "We declare war upon you in the peaceful field of trade . . . a war that we will win over the United States." At another time he declares: "To the slogan that says, 'Let us arm,' we reply with the slogan, 'Let us trade.'" Sometime later he writes a long letter to the President suggesting closer trade relations between Russia and the United States,<sup>2</sup> with a large credit from us to facilitate it, and Mr. Mikoyan states that he is "confident that with the establishment of normal trade relations a significant forward step will be taken along the road

<sup>1</sup> Address made before the 45th National Foreign Trade Convention at New York, N.Y., on Nov. 17 (press release 696).

<sup>2</sup> BULLETIN of Aug. 4, 1958, p. 200.

leading to the establishment of cooperative relations between the Soviet Union and the United States." That there are strict limits to these "cooperative relations" is later shown by Mr. Khrushchev's indignant statement that Russia will give "not a kopeck" to any joint venture with the West to relieve economic distress in the rest of the world. Khrushchev takes advantage of this opportunity to charge us with an attempt to enslave the rest of the world through our economic programs.

An easy conclusion to be drawn from all these conflicting Soviet declarations is that they make up a fabric of standard Communist tactics of intentional confusion and psychological manipulation to set the stage for penetration and exploitation. This sort of smokescreen for operations which are carefully planned and focused, and are anything but confused, is what we have learned to expect of a shrewd, clever, and cynical opponent.

#### **Soviet Foreign Economic Policy**

The Soviet program behind the smokescreen constitutes a massive challenge to U.S. policy from the forces of Communist imperialism. Faced with nuclear deadlock, the Soviet Union turned to indirect aggression to accomplish its world objectives. Economic penetration and influence are key elements in its tactics.

Immediately after World War II the Soviets consolidated their economic position through force. No sooner had the smoke of battle cleared in 1945 than the Soviet Union recognized easy opportunities for "economic cooperation" with its "friends" in Eastern Europe. First through the dismantling of plants, the taking of reparations, the operation of the so-called joint-stock companies, and especially through the dictation of terms of trade overwhelmingly favorable to itself, the Soviet Union was able to milk the satellites of an incalculable amount of real wealth. This yield of nourishment from economic cooperation enormously strengthened the Sino-Soviet capacity to dispense aid later in underdeveloped areas, a type of "robbing Peter to pay Paul" operation.

But it could not go on forever, and the pattern of outright exploitation had to be revised in recent years. The Soviet share in the joint-stock companies was "sold" to the satellite countries on long-term credit. The period of 1956 and 1957

witnessed a massive injection of Soviet economic assistance and relief. This change of policy was forced on the U.S.S.R. by political considerations. It is noteworthy that most Soviet assistance to the satellites followed on the heels of the Hungarian uprising and the change of regime in Poland which occurred in October 1956. The Soviet leaders apparently realized that the economic sins of the past must be atoned for if Soviet political control over the area was to be maintained.

The Soviet Union today plays an overwhelming role in the foreign trade of each of the satellite countries, and, since its foreign trade looms so large in their total economy, the Soviet Union has been obliged to make long-term commitments through 1965 to each of the satellite regimes. This has led to the further development of that bloc self-sufficiency which the late Joseph Stalin aimed at in 1952. Its self-contained nature is well illustrated by the fact that in 1957 three-fourths of Russia's entire foreign trade was conducted within the bloc.

The next step to consolidation of its hard-core position within the bloc was for Russia to storm the citadel of capitalism in Western Europe by every sort of attempt at political and economic penetration and to drive a wedge between the United States and its allies and friends. Moscow dangled the bait of vast and mutually profitable exchanges. In the early years of Soviet history trade negotiations were used as a device to achieve respectability. Since World War II Soviet talk about East-West trade has been constantly used in a futile attempt to disrupt the Western alliance and its system of strategic trade controls. In 1952, the year that Stalin enunciated the goal of Communist-bloc self-sufficiency, the Soviets organized a so-called "world economic conference" in Moscow, using as their propaganda theme the tremendous potential volume of trade between East and West. Soviet leaders lately have returned to this approach to free-world countries, generally on terms favorable to the Soviet Union.

The attempts to subjugate Western Europe and to drive a wedge between the United States and its friends thus far have failed. A further possibility, of course, was to attempt to neutralize or alienate from the West the uncommitted or less developed countries in other parts of the world. The story of Soviet maneuverings in Asia, the Middle East, Africa, and Latin America is too

complicated and devious for me to deal with here. Let me merely mention the example of Yugoslavia, where the Soviets and the bloc—especially the Chinese—have gone through every stage of the hot and cold of political-economic warfare, promising one day and taking away the next. Let me also mention the example of sturdy Finland, another target of direct economic pressures by the U.S.S.R. Less apparent perhaps but no less coercive is the story of Soviet relations with the U.A.R. and initial efforts in Morocco. Latin America today is a tempting target.

#### **Comparison of U.S. and Soviet Aid Programs**

Is this imperialism or not by a government which claims that we, the Americans, and the West are imperialists? The pages of Western history may not be spotless, but it cannot be said that we have not learned. How many Soviet aid programs, by candid analysis, can be shown to have the objective of merely helping less fortunate countries to combat the specters of hunger, ignorance, poverty, and disease? By comparison, how long ago were the first American programs of this sort inaugurated? Mr. Khrushchev often seems to suggest that, along with a great many other things, the Soviet Union really invented economic assistance to other countries.

Yesterday, Sunday [November 16], was the 25th anniversary of the establishment of diplomatic relations between the United States and the Soviet Union. This silver anniversary seems to mark a crescendo of the developing hard line of Soviet policy vis-a-vis the United States. The struggle against capitalist nations, especially our own, continues to be activated, and Soviet leadership maintains its efforts on a number of fronts to sow division among the allies of the free world. It is continuously probing and testing whether in the Formosa Strait area, in Berlin, and in the Middle East it may ascertain points of weakness or disunity and push forward relentlessly in quest of increased power.

As you know, the United States since the end of World War II has actively helped other countries as well as the peoples of the less developed areas. During the Stalin epoch the Soviet Union showed no interest and perhaps was not in position to do likewise. Perhaps imitation is the finest form of flattery. In any event, during the most recent Khrushchev period the Soviet Union has made the less developed areas the target of a two-point mas-

sive trade and economic offensive. This is orchestrated by copious references to the rough goals of its most recent 7-year plan—boasts of expected 90 million tons of steel annually, 240 million tons of oil, 600 million tons of coal, 180 million tons of grain, and an enormous amount of kilowatts of electric power. Together with its satellites and Communist China, the Soviet Union during a 4-year period has extended more than \$2 billion in credits to the less developed countries. In that same period the total trade turnover of the Sino-Soviet bloc with other less developed countries has almost doubled, reaching a total of \$1.7 billion in 1957. The offensive of course has been accompanied by skillful propaganda, the spread of highly publicized trade agreements, extensive bloc participation in trade fairs, the subsidization of dealers, and commercial activities by bloc diplomatic missions.

This offensive has been further bolstered by a third element, that of technical assistance. Thus the Soviet Union's educational system, geared to produce a greater number of scientists and engineers, now emphasizes languages and area training to equip them for service abroad. Today nearly 3,000 Communist technicians are active in less developed countries, and about 2,000 students from those areas are undergoing training in Moscow, Prague, and other Soviet-bloc centers. We should not underestimate this extensive Soviet offensive which is being brought to bear on the most vulnerable sector of the free world, on peoples who are hungry for food, for progress, and for better living conditions at a time when their leadership thirsts for independence and sovereignty.

So we face the question what economic system the people of these less developed countries will choose in their revolt against misery and poverty. Will they go in the direction of communism or in the direction of our own Western system of individual liberty? The test may well lie in the question whether they will have the patience to adjust their growth and development to the normal time lag.

#### **U.S. Program of Economic Assistance**

We have been responding to this problem in a number of ways. The United States Development Loan Fund has added a whole new dimension to our foreign aid program. The fund, which began operations early this year, represents a new hope



for the less developed countries. Basically it seeks to meet their problems, since it provides financing for projects which are economically sound but which do not meet the strict banking requirements of other sources of capital. It is unique in that borrowers can repay loans in their own currency as well as in dollars. Its operations focus to a large extent on countries with the lowest living standards. Of course it does not make loans when there does not appear to be a reasonable chance of repayment, but it does take greater risks than some financial institutions could afford. It provides a source of free-world financing to help these peoples build the productive facilities needed for economic growth: good harbors, port facilities, railways, and dams.

As you may know, the fund started operations last January with an appropriation of \$300 million. It received an additional \$400-million appropriation last August. During the first 6 months of its operation it received applications for loans totaling about \$2¼ billion. It is expected that it will have committed all of its available resources within a few months. No doubt we may expect a still higher level of lending from the Development Loan Fund in such amount as could be spent wisely in the interest of our national security. Of course much of our assistance continues to be extended through such broad multilateral institutions as the International Bank, the International Monetary Fund, and the International Finance Corporation. These organizations have the special virtue of drawing on both public and private resources in many countries.

As you are probably aware, our Government has been giving unremitting attention to the economic problems of the Americas. It recently agreed in principle that it would be prepared to participate with the nations of Latin America in a regional development institution, if there is adequate support by other member countries.

In the Middle East the United States has offered the prospect of a financial contribution to an Arab development institution, if it is desired by the Arab nations themselves and they contribute substantially to it and of course provided that the institution is established on a basis of sound management.

We continue the technical assistance programs which the United States initiated years ago both as major projects and through the United Nations

and its various specialized agencies. For example, more than 5,000 U.S. technicians are working in these programs.

We recognize that the economic growth of less developed countries depends heavily on the expansion of world trade. In harmony with that recognition a few months ago our Congress took an important step toward that expansion by extending the Reciprocal Trade Agreements Act for a 4-year period.

The Department of State believes that new ways to promote American private investment abroad must be found. There is no doubt that we need closer cooperation between our Government and private business. Thus a group of distinguished American citizens under the auspices of the Business Advisory Council of the Department of Commerce is conducting a study to ascertain how the Government can more effectively enlist the aid of private enterprise in achieving the objectives of our foreign policy.

In closing I would like to refer to a remark which our Secretary of State made at Seattle last week<sup>3</sup> incident to the meeting there of the Colombo Consultative Committee, which discussed the important problem of economic progress in South and Southeast Asia. Mr. Dulles, in referring to the fact that we live today in an era when the raising of living standards and the enhancement of the dignity of man are essential to the harmony of nations and enduring peace, discussed the methods now being imposed by the Chinese Communist regime on some 600 million people of the mainland by a backward system of mass slavery called the commune system:

Under the Chinese commune system, the human being is sought to be denied individuality and personality. He or she is treated as a mere material unit, valued only as a laborer for the state. He loses not only what little property his masters have not already confiscated; he loses his home, and he loses his family. In the communes, aggregations of ten to forty thousand "all-purpose workers" live in crude dormitories, with men and women largely segregated and children placed in wholesale nurseries. The venerated graves of ancestors, familiar mounds that dotted the peaceful countryside, are everywhere being plowed under. The ancient and rich culture of China, the respected customs and beliefs of its people and the basic values of their family life, are being obliterated in the name of the "great leap forward" decreed by Peiping.

The brutality of this method should not becloud

<sup>3</sup> *Ibid.*, Dec. 1, 1958, p. 865.



the fact that the implacable drive for industrialization will have an inevitable impact on Asian and world economy. It is impossible to prophesy at this stage how far this drive may go, but it is a factor to which I think this organization should give increasing study and attention.

## **U.S. Protests Soviet Attacks on American Aircraft**

Press release 697 dated November 17

*On November 13, 1958, the American Embassy at Moscow delivered to the Soviet Ministry of Foreign Affairs the following note protesting Soviet attacks on, and interference with, routine flights of U.S. aircraft over international waters.*

The Government of the United States of America brings the following incidents to the attention of the Government of the Union of Soviet Socialist Republics and strongly protests the dangerous, offensive, and provocative actions of Soviet fighter aircraft in international airspace.

1. At 1512 hours Greenwich mean time on November 7, Soviet fighter aircraft twice attacked a United States Air Force aircraft on a routine mission in the international airspace over the Baltic Sea, flying a southwesterly course at position 56-59 N, 19-03 E. The American plane was approximately 66 miles from the nearest Soviet territory, flying at an altitude of 33,000 feet. The Soviet aircraft fired at the American aircraft during both attacks. The American aircraft withheld its fire, and fortunately was not hit despite the fact that the attacks were launched from behind and without warning. There can be no doubt that the objective of the Soviet fighter aircraft was to destroy the American plane without warning at a position far outside the Soviet frontiers. These attacks were launched without any provocation whatsoever from the American aircraft. The Government of the United States requests the Soviet Government to instruct the appropriate Soviet authorities to discontinue and desist from such attacks, and to provide the United States Government with assurances against their repetition.

2. Within a few hours of these attacks in the Baltic Sea, a United States military aircraft on

a flight over the Sea of Japan was three times intercepted by Soviet fighter aircraft in pairs and subjected to simulated attacks. The first incident occurred at 2201 hours Greenwich mean time on November 7 at approximately 44-10 N, 137-45 E, which is 64 miles from the nearest Soviet territory. After two Soviet fighter aircraft had taken a position about 1,000 yards off the right wing of the American plane, which was flying on a southwesterly course at 32,000 feet, one fighter plane veered toward the American plane and crossed in front of it at a distance of only 100 feet. This was a dangerous and unwarranted maneuver involving grave risk of collision and possibly calculated to provoke fire from the American aircraft. The American plane withheld its fire. The Soviet planes remained in attack position near the American aircraft until 2211 hours GMT on November 7, when they turned in a northerly direction. At that time, two other Soviet fighter aircraft took up attack positions 1,000 yards to the left rear of the American plane, remaining there for 17 minutes, then flying off on a northwesterly course. Subsequently, at 0117 hours GMT on November 8, when the American plane was flying a northeasterly course at 35,000 feet, two Soviet fighter aircraft which had been flying parallel to the American plane at a distance of 2,000-3,000 yards, made simulated attacks on the American aircraft to within firing range, before turning on a northwesterly course toward Soviet territory. These simulated attacks occurred at 42-30 N, 136-50 E.

3. Despite the dangerous and provocative maneuvers of Soviet fighter aircraft directed against the American planes in international airspace far from the Soviet frontiers, the American planes at all times withheld fire and did not in any way menace the Soviet aircraft. However, if such dangerous tactics are in the future repeated by Soviet aircraft in close proximity to American aircraft in international airspace, the Soviet Government should be aware that commanders of American aircraft will be under instructions to take any defensive action which they consider necessary and appropriate.

The United States Government expects the Soviet Government to take measures without delay to stop this interference with American aircraft. The Soviet Government bears full responsibility for the consequences of any continuation of this activity.

## **Soviet Science Educators Visit United States**

The Department of State announced on November 20 (press release 705) that five prominent Soviet natural-science educators were expected to arrive at Washington, D. C., that week to begin a 21-day nationwide visit under the provisions of the cultural, technical, and educational exchange agreement between the United States and the Soviet Union.

The group visit will be under the auspices of the International Educational Exchange Service of the Department of State, and the program arrangements will be made by the American Council on Education. The scientists, all of whom are university rectors, will be visiting institutions of higher learning throughout the United States. A corresponding group of American science educators visited the Soviet Union in June 1958.

The Soviet visitors scheduled to arrive are: Gagik Stepanovich Davtyan, Erevan University; Fedor Dmitrievich Klement, Tartu University; Sergey Ivanovich Lebedev, Odessa University; Roman Viktorovich Mertslin, Saratov University; and Viktor Yakovlevich Rogov, Irkutsk University.

The cultural, technical, and educational exchange agreement, concluded January 27, 1958,<sup>1</sup> initiated a program of interchanges between the United States and the Soviet Union in the above-named fields, as well as in such media as radio and television broadcasts and film showings. The exchanges are designed to contribute to the improvement of mutual understanding between the peoples of the United States and the Union of Soviet Socialist Republics.

## **U.S. Refutes Hungarian Charges of Improper Activities**

Press release 710 dated November 21

*On September 20, 1958, the Hungarian Ministry of Foreign Affairs delivered to the American Legation at Budapest a note<sup>2</sup> alleging that the U.S. Government was "displaying activities directed to undermining the existing state order of the Hun-*

*garian People's Republic" and was indulging in "hostile activities, espionage, and intrigues—against the Hungarian People's Republic." On November 21, 1958, the American Legation at Budapest delivered to the Hungarian Ministry of Foreign Affairs the following note refuting these allegations.*

The Legation of the United States of America presents its compliments to the Ministry for Foreign Affairs of the Hungarian People's Republic and, with reference to the Ministry's note No. 00941/5/1958 of September 20, has the honor under instructions from the United States Government to communicate the following:

The Note of the Hungarian Government is largely concerned with the issue of foreign interference in the internal affairs of Hungary. The Government of the United States accordingly avails itself of the opportunity to set forth in the clearest terms its views on this issue.

### **I**

For well over a century, the Government and people of the United States have had strong feelings of friendship and good will for the people of Hungary. In conjunction with these sentiments, the Government and people of the United States have viewed with sympathy and understanding the long struggle of the Hungarian people to realize their right of national independence and to decide for themselves their way of life and form of government. In addition to these ties of sympathy and interest, however, the United States bears clear responsibilities toward the Hungarian people under the terms and as one of the principal signatories of the United Nations Declaration, the Yalta Declaration on Liberated Europe, the Charter of the United Nations, and the Treaty of Peace with Hungary. The Hungarian Government, on its part, is specifically obligated under Article 2 of the Treaty of Peace to secure to all persons under its jurisdiction the enjoyment of human rights and the fundamental freedoms and under Articles 1, 55, and 56 of the United Nations Charter to promote and encourage respect for and observance of these rights and freedoms without distinction as to race, sex, language, or religion.

The Hungarian Government speaks, in its note, about United States "interference" in the internal affairs of Hungary. This charge is without found-

<sup>1</sup> For text, see BULLETIN of Feb. 17, 1958, p. 243.

<sup>2</sup> Not printed.

dation, as has been proved in the United Nations, and is wholly misdirected. The United States Government has not intervened politically, militarily, or in any other way in the internal affairs of Hungary and has neither the intention nor the desire to do so. In keeping with its international obligations, however, the United States recognizes and supports the inalienable right of the Hungarian people to live in freedom under institutions of their own choosing. United States policy toward Hungary is accordingly aimed at encouraging respect for the independence of Hungary and supporting the right of the Hungarian people, in friendly association with all other peoples, to work out their own destiny free of any foreign domination.

The incongruity of the Hungarian Government's charges of United States "interference" is revealed by the development of events in Hungary since the close of World War II. The fact of repeated acts of Soviet interference in Hungarian internal affairs is incontrovertible. The Soviet Union has continued its armed occupation of Hungary long after its right to do so terminated under the provisions of the Treaty of Peace. It is the Soviet Union which in 1956 committed an act of massive armed aggression against the Hungarian people which had as its object the perpetuation of Soviet domination and which clearly has served this aim. It is the Soviet Union, in flagrant violation of its international pledges and willful defiance of the decisions of the United Nations, which persists in its efforts to maintain its domination of Hungary.

The Hungarian Government has acquiesced in this Soviet domination. Indeed, it has actively supported the Soviet objectives. This is demonstrated most notably by the recent reprisals against many leaders, especially Imre Nagy, of the Hungarian people's heroic fight for independence in 1956 and by the fact that the Hungarian Government has actively joined the Soviet Union in flouting the decisions of the United Nations.

The United States fully recognizes the necessity of friendly relations between the Soviet Union and Hungary in the interest of a stable and constructive peace in Eastern Europe. At the same time it supports the right of the Hungarian people to national independence, and to have institutions of their own choosing, free from both the threat and the fact of foreign interference.

## II

The Hungarian Government alleges that the United States Government "employs" the United Nations and other international bodies to "launch attacks against the Hungarian People's Republic" and "to force other countries also to adopt a similar conduct." This charge is not only false but it also reflects a grave distortion of the nature and functioning of the United Nations. It misrepresents United States relations with the member states of the United Nations and impugns the sovereignty of these states. The attitude and actions of the United Nations toward any of its members is essentially determined by their conduct and sincerity in honoring their obligations, not by the expression by the United States or any other state of its views in the forum of the General Assembly.

It is clearly within the competence and it is precisely the function of the United Nations to discuss situations and problems which concern the well-being of the international community of nations, involve violations of international obligations, and disturb or threaten the peace of the world. The Soviet and Hungarian Delegations at the United Nations have repeatedly set forth the point of view of their Governments on the Hungarian question. The fact that this point of view has found acceptance on the part of only a conspicuously few member states speaks for itself and echoes the authoritative findings of the Special Committee on the Problem of Hungary concerning the facts relating to the Hungarian revolution of 1956 as well as the secret trials and executions of Imre Nagy, Pal Maleter, and other leaders and participants in the national uprising.

Moreover, both the Hungarian Government and the Soviet Government have refused to comply with the terms of the various resolutions on Hungary adopted by overwhelming majorities in the General Assembly and have persistently refused to cooperate in any way with the United Nations Special Committee on the Problem of Hungary and with the United Nations Special Representative on the Hungarian Problem. The conduct of the Soviet and Hungarian Governments in these matters is clearly not such as to inspire confidence on the part of other member states in their willingness to fulfill their international obligations under the United Nations Charter.

### III

The note of the Hungarian Government states that relations between the United States and Hungary are not "normal". This statement is correct, for the Hungarian Government has not permitted the development of normal relations. For more than a decade, the Hungarian Government, supported by the Soviet Government, has sought to obstruct friendly interchange and understanding between the Hungarian and American peoples. It has tried persistently to isolate the people of Hungary from other peoples with whom they have traditional ties of friendship. This policy has involved not only attempts to deny freedom of expression and association to the Hungarian people, but also systematic efforts to obstruct the legitimate diplomatic operations of the American Legation in Budapest through the harassment and slandering of American diplomatic officers and the intimidation, arrest, and deportation of Hungarian employees of the Legation. The Hungarian Government's reckless and malicious charges of American espionage and other improper activities have been proved in the United Nations and in other public and diplomatic forums to be without foundation. This absence of truth in the allegations put forward by the Hungarian Government is not remedied by spurious displays of radio receivers, pistols, and other equipment of undetermined origin, or by the stated "testimony" of agents of the Hungarian Government.

Among other charges, the Hungarian Government accuses the United States Government of giving moral and material support to "fascist Hungarian refugees". This charge is patently false, but its assertion reveals that the Hungarian Government is quite prepared to apply the epithet "fascist" indiscriminately to all Hungarians who have fled from the oppression that exists in their homeland and have found refuge in foreign countries. The United States Government is proud that it, together with many other nations, has been able to assist thousands of these refugees in finding new homes where they may enjoy freedom.

Again, the Hungarian Government accuses the Voice of America of transmitting "subversive propaganda" directed against the Hungarian People's Republic. The radio broadcasts which are beamed to Hungary by the Voice of America are factual reports and commentary on national and international events and developments such as

free men throughout the world have the opportunity to read and listen to daily in their local newspapers and news broadcasts. To those who believe that the free exchange of information and ideas is essential for the kind of peaceful coexistence and competition which the Hungarian Government itself professes to desire, it is entirely logical and justifiable that such broadcasts should be directed to the Hungarian people in view of the practice of the Hungarian Government of erecting artificial barriers against normal communication and contacts between peoples. In this connection, it must be noted that the Hungarian Government continues to devote what must be very considerable resources to jamming American and other Free World radio programs.

The Government of the United States desires to contribute in every possible way to the removal of barriers to mutual understanding and friendly cooperation between all peoples. It is obvious, however, that the development of normal and constructive relations between governments must rest on the secure foundations of respect for truth, willingness to fulfill international obligations, and enlightened regard for the rights and the will of the peoples governed. The Hungarian Government in its note of September 20 has complained at length concerning various matters such as passport and visa problems and the difficulties of commercial and cultural intercourse under existing circumstances. It is true that such difficulties exist, for the restrictive and repressive policies which the Hungarian Government has pursued for many years have afforded the United States Government no alternative other than to institute on a reciprocal basis such limitations on activities in these fields as are required by its national interest and security. These manifestations of the lack of normal relations are symptoms, however, rather than basic causes. The real issues which exist between the United States Government and the Hungarian Government are of a more fundamental character.

The United States Government considers that any real improvement in its relations with the Hungarian Government depends primarily and basically upon the Hungarian Government's manifesting a willingness to live up to its international obligations under the United Nations Charter and the Treaty of Peace. It is most unfortunate in this respect that the Hungarian Government's note under reference appears to indicate that the Hun-



garian Government is determined to do everything in its power to frustrate such a development. The United States Government observes with deep regret this further expression of a policy which can only prevent, so long as it obtains, the growth of that friendly relationship which is so earnestly desired by both the Hungarian and American peoples.

The Legation of the United States of America avails itself of this opportunity to renew to the Ministry for Foreign Affairs the assurances of its high consideration.

## **United States Recognizes New Government of Sudan**

### *Department Statement*

Press release 715 dated November 22

The United States Government has received official notification of the establishment of the new Government of the Republic of the Sudan and assurances from that Government that it intends to honor its international obligations. The United States Government has today been pleased to extend recognition to the Government of the Sudan with the expression of its best wishes.

## **White House Announces Appointments to Board of Foreign Scholarships**

Press release 711 dated November 21

The White House on November 20 announced the appointment of the following individuals to the Board of Foreign Scholarships: Hurst Robins Anderson, president of American University at Washington, D. C.; Elmer Ellis, president of the University of Missouri, Columbia, Mo.; and John Orth Riedl, dean of the Graduate School at Marquette University, Milwaukee, Wis. The appointments were made to fill vacancies left by C. Joseph Nuesse, Roger Allen Moore, and Philip H. Willkie, whose terms of membership have expired. Also announced was the reappointment of the U.S. Commissioner of Education, Lawrence G. Derthick.

The Board is responsible for supervising the operations of the educational exchange program authorized under Public Law 584, 79th Congress

(the Fulbright Act) and also for selection of the participating students, teachers, and university faculty members. The program is administered by the International Educational Exchange Service of the Department of State.

Other members of the Board are: Robert G. Storey, dean of the Law School, Southern Methodist University, Dallas, Tex., *chairman*; Bernice B. Cronkhite, dean of the Graduate School, Radcliffe College, Cambridge, Mass., *vice chairman*; John N. Andrews, Veterans Administration, Washington, D. C.; George C. S. Benson, president, Claremont Men's College, Claremont, Calif.; and Felton G. Clark, president, Southern University, Baton Rouge, La.

## **U.S. Group To Confer in Berlin on Medical Center Plans**

Press release 716 dated November 22

The Department of State on November 22 announced the departure of the American members of the Benjamin Franklin Foundation for Berlin for a series of meetings scheduled for November 24 through November 29. These meetings are to develop further the plans for a \$15-million medical training center in Berlin. This center is to be financed cooperatively by the Berlin government and the U.S. mutual security program. The funds for the first part of the construction to be financed by the United States are already available.

The first formal report recommending the plan as now adopted was submitted to the Department on June 20. The second report, showing further development of the program, was made available on September 15.

The chairman of the foundation is Leon Chatelain, Jr., past president of the American Institute of Architects. Other members include Bruce Baird, president of the National Savings and Trust Co., Washington, D. C.; Albert Edelman, New York attorney; Howard Eichenbaum, architect, Little Rock, Ark.; and Hugh Stubbins, Cambridge, Mass. Mr. Stubbins was the architect of the Congress Hall in Berlin, also constructed by the Benjamin Franklin Foundation.

The foundation members are accompanied by: Dr. Russell Nelson of Johns Hopkins University, who is president of the American Hospital Association and medical consultant to the foundation;



Benjamin Smith and Alonzo Clark, New York architects; and architects Moreland Smith of Montgomery, Ala., and Arthur Davis of New Orleans, who will be the designing architects for the center.

While in Berlin the foundation members and consultants will confer with Mayor Willy Brandt, other Berlin officials, and with Berlin architects who are helping to develop these plans.

## Management as a Factor in Economic Development

*by Under Secretary Herter<sup>1</sup>*

The record of development in Latin America since the war has been remarkable, as most of you know even better than I. It is an example of growth of which Latin Americans may be justly proud. But if the urgent demands of the people for higher living standards are to be met, it must be continued and accelerated.

### Complexities of Economic Growth

Economic growth is a complex process. It depends in the first instance on basic factors of production—land, labor, capital, and management. Certain standard formulas have occasionally been devised in an attempt to control these factors and achieve a given rate of growth. But if in a highly industrialized society such as ours, with an apparent abundance of resources, we are still subject to periodic recessions in business, it would appear that there are qualitative factors involved in the growth process which have been underestimated. This fact is a key to our understanding of the critical role which management plays.

From our economic experience in the United States it has been found, over a period of time dating from 1870, that the major part of our economic growth has sprung from improvements in national efficiency rather than from additional input of resources of the conventional type—land, labor, and reproducible capital. In other words economists have discovered that the improvements in national efficiency which were responsible for the

far greater percentage of our growth were due to two variables: These we may represent as effort and capital allocated (1) to develop the quality of people as productive agents, and (2) to raise the level of the productive arts. Thus scientific management improves both the quality of the whole labor force as well as the quality of what this force produces. In the light of this we may well ask ourselves a question: Is capital perhaps less important than management as a factor in economic development during certain phases of growth? We have found this to be true in our country. It seems quite possible that the next hundred years in Latin America may encompass a similar phase.

I do not mean to imply that management can operate effectively without the other factors of production or to minimize the importance of capital, which is the shortage we hear of most frequently. The shortage quite definitely exists. This fact is well recognized by private industry and our Government, and a serious effort has been made to help. United States direct private investments in Latin America rose by \$1.3 billion in 1957 to a total of \$8.8 billion—more than in any other area of the world. In addition you are all aware of the substantial loans made by the Export-Import Bank, the International Bank, the International Finance Corporation, and the Development Loan Fund.

Capital is basic. But the equally pressing shortage in managerial fields is less well appreciated. Every developing area needs more businessmen who know how to turn money into new plants and industries and how to manage them

<sup>1</sup> Address made before the Second Inter-American Management Conference at White Sulphur Springs, W. Va., on Nov. 17 (press release 694).

efficiently once they are established. It has been discovered, on many occasions, that the problem of supplying competent management is a far greater stumbling block to rapid economic development than is the availability of capital. Education is a long process; a generator, for example, can be built much faster than an engineer can be trained to install it.

Most of you are well aware of this problem and have been dealing with it in its practical aspects for many years. But I might mention the role management plays in identifying neglected investment possibilities by pulling together facts, developing contacts, and promoting other varieties of economic growth. The significance of management, therefore, is directly related to the manner in which it attracts capital. The consolidation of a managerial base accelerates the growth process by insuring sufficient entrepreneurial talent to spot further opportunities—whether to start a bakery, a foundry, or a food-processing plant, for example, or where and when to assemble manufactured goods which are imported in unassembled form.

There are various ways in which U.S. private enterprise and the U.S. Government are cooperating with our Latin American neighbors to assist their development in the managerial field. I know of no one approach which will be sufficient. The necessary improvements in managerial techniques require a multiple application of all our skills and experience.

#### **Programs for Keeping Pace With the Future**

I might refer to the past, going back to training programs for economic development in Latin America started 20 years ago. But I prefer to keep our focus on the present, on specialized fields of management and on individual programs by which we hope to keep pace with the future.

Let us look first at ICARE [Instituto Chileno de Administración Racional de Empresas] in Chile. You will consider this managerial society in more detail later this week. Many of you, including those who attended the PACCIOS [Pan American Council of the Comité International de l'Organisation Scientifique] conference in Santiago a few years ago, are well informed about its accomplishments. ICARE offers a fine example of what can be done when government and industry in both parts of the hemisphere combine

through such intermediary councils as CIPM—the Council for International Progress in Management. I understand that ICARE was not patterned after any one particular management society but was developed from the best ideas and experience available with reference to the need in one Latin American country.

A joint effort such as ICARE is interesting not only in itself but for the way in which it activates ideas leading to other ventures. As far as our Government is concerned, it is the International Cooperation Administration—ICA—which is most intimately concerned in this field through its point 4 program. An interesting part of its work, which I would like to cite as other examples of our multiple approach, has consisted of the management seminars that have been under way—through the joint efforts of CIPM and representatives of the host countries—in Colombia, Chile, Mexico, Panama, Costa Rica, and Guatemala. In each case the idea has been not only to exchange views on management, and to reach the working levels of middle management, but to help improve the training capacity of local universities and to help form local management associations which will develop techniques best suited to local conditions. The managerial seminars just concluded in Bogotá and Medellín have had these goals in mind.

In any consideration of these programs, we must bear in mind the importance of your, or what we sometimes term “second line,” managerial talent and the difficulty this group encounters while struggling for the acceptance of new ideas in companies controlled by members of an older generation. The value of the seminars I have referred to has been that, after on-the-spot discussions and specific case studies, top management has found itself more responsive to suggestions about further opportunities for economic growth. This type of development can release tremendously creative energies through all the lower echelons.

One of the most significant aspects of these programs is directly concerned with the universities and the changes in their curricula being effected by Latin Americans so as to produce trained managerial personnel. Thus the theme of “Management as a Factor in Economic Development” very quickly involves us with the relation between management and education.

An illustration of progress in this field is an ICA contract with Michigan State University to help

improve the number and quality of business administration courses offered at the Getulio Vargas Foundation in São Paulo. The first steps have been to intensify middle management training courses and to help establish a full undergraduate program. ICA hopes that, in the near future, this encouraging experiment can be expanded to other universities in Brazil and that management schools at the graduate level can be organized to provide the professors of business administration who are so urgently needed in government, industry, and education.

We are all aware of the role which private enterprise plays in the managerial field in connection with foreign economies. It is sometimes a joint role, with CIPM and ICA cooperating, to provide specialists to spend a few months or years in Latin America. It is frequently a more individual role characterized by the imaginative personnel policies of many North American firms operating in the area. It is certainly an accomplishment, to cite Sears Roebuck merely as an example, to have 98 percent of its 75 stores and sales offices in Latin America staffed by nationals of the nine countries in which Sears operates.

It is in these ways, by many efforts on many fronts, that the countries and peoples of Latin America will increase their capacities in the whole field of management as it applies to their rapidly developing area.

In making any comparisons between economic development in our two hemispheres we must of course remember that in the United States industrialization and a managerial society came by degrees. A generation of blacksmiths was succeeded by a generation of millwrights; small plants grew slowly into large plants; quite frequently the individual owner was absorbed by corporations. We have had, therefore, the great advantage of time. But we must face the question of how well we can "export" this experience. It is this question, as well as those "qualitative factors" I mentioned earlier, which I would like to keep in mind for the next few minutes.

#### **"Exporting" U.S. Managerial Skills**

In terms of the transfer of our managerial skills I believe our attempt must always be to determine what works best in our midst and then, if encouraged by our Latin American friends, to help develop the particular form and location of its ap-

plication in Latin America. There are too many variations in the economic needs and stages of development of Latin American Republics for us to suggest that importation to a southern setting of what happens to work well here is in itself the answer. Considerable study of the economic, cultural, and sociological patterns is a vital preliminary phase.

But from the examples I have cited I believe that our managerial experience can be adapted with increasing relevance to Latin American needs. And I believe we have time, if we work together, conscientiously, as partners in a joint venture.

I began by speaking about ideas as they affect economic development and of the startling manner in which managerial improvements have affected economic growth in the United States. I then went on to provide some facts on the way government, industry, and managerial associations are trying to mobilize our programs in this field. I would like, finally, to develop further the theme of management as a liberalizing influence in the realm of people.

The sort of management we are interested in is systematic. It emphasizes efficiency. It is complex. It is often theoretical. It is full of compartments and subdivisions. But its equally valuable and, to me, more fascinating aspect is the potential it has for change and improvement in people's lives. The emerging managerial class in Latin America will undoubtedly be well taught in their special departments, but the benefits of a liberal education must not be sacrificed if the application of managerial principles is really to improve our society. We know that to be a good executive a man must not only have training in a number of "transferable skills." He must also have historical perspective and a well considered sense of values, particularly in the social field.

We are interested in increasing production by the employment of sound techniques. But we are interested in much more than production and profits. The real income of labor must be increased. Profits must be channeled into long-range programs affecting not only the physical plant but the whole human community on which each store and factory depends. It is in this connection that management must play one of its most positive roles. Emphasis must be shifted onto the importance of libraries and research laboratories.

Endowments will be needed for universities and all manner of technical facilities.

The fact is that we are plunged into an age of rising expectations. It is also an age of intense communication. In this setting the ordinary citizen is increasingly conscious of all the wealth around him in the world. He sees or senses the huge physical apparatus that exists for creating wealth. And he knows he is still missing out. He must be given some way of raising his standard of living, of responding to the daily pressures around him, and of having the satisfaction of passing something a little more tangible on to his children. If his hopes are frustrated we must not be surprised if despairing, neurotic forms of nationalism destroy these very assets—both physical and intellectual—which all of us are trying to maintain for his benefit.

This is a big order. But I think we must appreciate the magnitude of the problem if we are properly to assess management's chances of helping create a well-ordered future. I say this because the public funds that the United States Government has available to help in these matters are limited. But the transferable technological and managerial skills of the United States can be shared with many countries.

This "know-how" is not spent by being used. It can become of infinite value to millions of people.

Economic development in the United States has been the result of many and varied factors. We have been an extremely fortunate people. And certainly the distinguishing feature of our progress has been a system of private enterprise in which management has been a vital, at times a "controlling," component. If the United States is a leader in the management movement in the world today, this is true because management is part and parcel of private enterprise. It follows, then, that, if we are to be of economic assistance in the many developing areas of Latin America, it will be through sharing in the techniques of management that we will find one of our most useful roles.

The potential for economic development in Latin America in the next 10 or 15 years is enormous. The urge toward rapid stages of growth is also great. But the problems which confront governments and business firms, as well as the needs of the people, are greater still. This is why,

if we are to make the contribution we are capable of, we must reach forward together by a systematic exchange in the managerial field. We must continue to improve the techniques of management as a vital prerequisite to the health of our economies. In this way we will find that a world society which is becoming increasingly industrial will have more to give all the individuals on whom its future so critically depends.

## Human Rights Week, 1958

### A PROCLAMATION<sup>1</sup>

WHEREAS December 15, 1958, marks the one hundred and sixty-seventh anniversary of the adoption of our Bill of Rights, which is held in grateful pride and honor by American citizens; and

WHEREAS December 10, 1958, marks the tenth anniversary of the proclamation of the Universal Declaration of Human Rights, and this day will be observed by the members of the United Nations as Human Rights Day; and


WHEREAS fundamental rights and freedoms—freedom of speech and of the press, freedom of assembly and association, freedom of conscience and religious worship, the right to fair trial and equal treatment under law—are being sought by peoples everywhere; and

WHEREAS we must press forward to achieve these fundamental rights and freedoms for all persons equally:

NOW THEREFORE, I, DWIGHT D. EISENHOWER, President of the United States of America, do hereby proclaim the period of December 10 to December 17, 1958, as Human Rights Week; and I call upon the citizens of the United States to observe this week by rereading and studying the Bill of Rights in the Constitution of the United States and the Universal Declaration of Human Rights of the United Nations, that we may all be reminded of our many responsibilities and privileges as a people blessed by a heritage of freedom and equality. Let us firmly rededicate ourselves to the achievement of the goals of liberty and equal opportunity for posterity, for ourselves and for our neighbors throughout the world.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the Seal of the United States of America to be affixed.

DONE at the City of Washington this twentieth day of November in the year of our Lord nineteen hundred and fifty-eight and of the Independence of the United States of America the one hundred and eighty-third.



By the President:

CHRISTIAN A. HERTER  
Acting Secretary of State

<sup>1</sup> No. 3265; 23 Fed. Reg. 9107.



## **An Integrated Program of Development for Latin America**

*by Under Secretary Dillon<sup>1</sup>*

It is an honor and a great pleasure for me to welcome you to Washington. We are meeting here to examine the whole range of economic problems facing the American states with one objective in mind: to attain sound, stable, expanding economies in Latin America with steadily rising standards of living. The United States is prepared to cooperate fully in a combined effort to achieve this goal.

To succeed we will need to address ourselves to three major questions:

First, how can we enlarge the flow of capital into sound development projects in Latin America?

Second, how can we step up our joint activities in the field of technical cooperation, which is so essential to the development process?

And third, how can we improve and expand international trade, upon which the good health of all our economies is increasingly dependent?

I would like to say a few words on each of these matters.

### **Enlarging the Flow of Capital**

First, there is the proposal to establish a new lending institution which would concentrate all its efforts in promoting the development of Latin America. We have agreed that a special committee of government representatives will meet early in January of next year to negotiate and draft a charter for this institution.

The eventual success or failure of this institution will depend greatly on the wisdom with which

its foundations are established. We have therefore given much serious thought to various alternatives regarding its nature and functions. There are many questions on which decisions will have to be reached by the special committee. For example, what sort of projects should this institution finance? Should it be devoted solely to productive development projects, or should its resources be available also to help meet such needs as housing, schools, and hospitals? Again, for example, should it make loans to cover some or all of the local-currency costs of projects, and, if so, what limitations should there be on this type of lending?

Obviously, another major question to be decided is the capital structure of the institution. What is to be its authorized capital? In what form are the capital subscriptions to be made? Should there be some arrangement for spreading out the payment of this subscribed portion or should payment be made in one lump sum? Should there be any limitations on the free use of any of the currencies received by the bank as subscriptions, and, if so, what should such limitations be? Under what conditions should the unpaid portion of the authorization be callable? How should the subscription quotas be allocated among the various member countries?

Finally, a very important question will be whether the institution should be authorized to make loans repayable in the currency of the borrower and, if so, to what extent and under what limitations or conditions.

I have tried to indicate some of the issues to which our Government and, I am sure, your respective governments are giving serious consideration. Of course this is not the time or place to reach conclusions on these issues. This will be done at the

<sup>1</sup>Remarks made before the Special Committee of the Council of the Organization of American States To Study the Formulation of New Measures for Economic Cooperation, at Washington, D. C., on Nov. 18 (press release 698).



January meeting. In the meantime we expect to explore these matters in a preliminary way through consultations.

I would like to suggest that this new institution should be organized and operated so that it will work in the closest collaboration and harmony with existing lending institutions, both public and private. If this is done, it should make it possible for these existing institutions to increase their participation in development.

The Export-Import Bank has played a primary role in Latin America. Over the past decade about 40 percent of all Export-Import Bank loans have been made in Latin American countries. To date, the Export-Import Bank has authorized in excess of \$3.5 billion in loans to Latin America, while presently outstanding commitments total \$1.8 billion. This year the Congress authorized an increase of the lending authority of the Export-Import Bank from \$5 billion to \$7 billion. As a result the bank now has \$2.2 billion available for lending. The factor of fundamental importance to Latin America is that the bank is now in a position to continue a program of vigorous lending activity in Latin America in the period immediately ahead.

No one, I believe, has seriously suggested that the Export-Import Bank should expand its activity by lowering the economic standards applied to its loans. However, there have been some requests for loans to meet the local-currency costs of projects and for loans in dollars which could be repaid in local currencies. The United States has recognized the need for loans of this type, which are not suitable to the Export-Import Bank. Accordingly, it has established a new lending institution—the Development Loan Fund—with authority broad and flexible enough to make loans of this kind. We need to consider carefully how the Development Loan Fund can best be used to help and support the new Inter-American Development Institution.

Another source for public loans to the countries of Latin America is the International Bank for Reconstruction and Development, or World Bank. Its loans to Latin America are currently running over \$150 million a year, and the total of such loans now approaches \$1 billion.

The United States has recently made two proposals for strengthening the World Bank and enlarging its sphere of operations. Last month, at the annual meeting of the bank's Governors in

New Delhi, Secretary of the Treasury Anderson suggested, and it was agreed, that consideration be promptly given to the desirability of an increase in the capitalization of the bank, so that it will have the resources needed to achieve a high rate of lending over the years ahead.<sup>2</sup> He also proposed that consideration be given to establishing, as an affiliate of the World Bank, a new International Development Association which would be authorized to make loans repayable in whole or in part in the currency of the borrower in much the same way as our own Development Loan Fund.

The adoption of these suggestions will depend upon the attitude of other countries which are members of the World Bank, and, in the United States, upon the approval of our Congress. The bank is ready and willing to play an active role in Latin America, and the proposed enlargement of its capital would assure it adequate resources for the purpose.

The United States, then, is taking important forward steps to increase the flow of public lending to Latin America both through existing institutions and through the establishment of new ones.

But public lending, no matter what our efforts may be, can never substitute for private initiative and private capital. Fortunately the capital resources at the disposal of private enterprise are far larger than the amount which governments can ask their taxpayers to provide.

During the past 3 years the flow of new private capital from the United States to Latin America has averaged more than \$600 million annually. However, it is clear that more needs to be done if private foreign capital is to make its full contribution to the development of Latin America. We need to clear away the obstacles to the entry of private capital into countries desiring investment. And we need to provide, in greater degree, positive incentives to increased investment.

The removal of obstacles to investment is within the control of the Latin American countries themselves. What is required is the maintenance of a hospitable atmosphere in which private enterprise can operate with confidence.

Turning to the question of fresh incentives to the flow of private capital, we in the United States are earnestly searching for new methods. We

<sup>2</sup> For statements made by Mr. Anderson and Mr. Dillon at the New Delhi meeting, see *BULLETIN* of Nov. 17, 1968, p. 793.

have asked a group of leading businessmen associated with our Department of Commerce to look at the problem and tell us what they, as businessmen, would like to see done in order to make foreign investment more attractive. We hope to get concrete and useful suggestions from their study. There is one new incentive, in the field of taxation, which we are already prepared to adopt, and which we hope may yield constructive results. Let me explain.

Under United States law, if a foreign government grants a special income-tax reduction in order to attract the United States investor, that investor has to pay to the United States Government whatever has been waived by the foreign government. We are seeking to correct this situation so that tax benefits granted to induce investment abroad can retain their full effect. To accomplish this the United States Government is prepared to consider conventions which, with proper safeguards and restrictions, would contain a tax-sparing provision that would cure this situation. The only way to accomplish this result is by treaty. We invite negotiations.

There also are other kinds of agreements which help to improve the climate of investment and establish confidence. Among these are investment guaranty agreements and treaties of friendship, commerce, and navigation. The United States would also welcome negotiations on these subjects with Latin American countries.

It will do little good to provide larger amounts of capital for development purposes if that capital is dissipated through unrestrained inflation. Inflation both wastes economic resources and leads to serious balance-of-payments difficulties.

There needs to be a better public understanding of the fact that inflation does not create resources; it simply transfers them from one group to another. In the process it hurts those with fixed incomes and the poorer classes. It also kills the incentive to save and hence is the deadly enemy of economic development.

During the past year inflationary pressure was one of the causes of the acute balance-of-payments difficulties which confronted many countries in Latin America. In cooperation with the International Monetary Fund, the United States assisted a number of the Latin American countries to bring these problems under control.

The International Monetary Fund was designed specifically to help member governments

in temporary balance-of-payments difficulties through stabilization loans and effective technical advice. The fund has a fine staff which is expert in analyzing fiscal and monetary problems and suggesting appropriate remedies.

Last month at New Delhi the Government of the United States proposed that consideration be given to the desirability of an increase in the quotas of the International Monetary Fund in order that it might be even more effective in the future in helping its member countries. This proposal was accepted and the Executive Directors of the fund were asked to submit recommendations in the very near future.

#### **Expansion of Technical Cooperation**

Technical cooperation is the second major area in which we must all step up our activities if the development of Latin America is to be hastened. Surely it must be obvious that as economies grow and become more complex there will be a steadily increasing need for skills of all kinds. Economic development requires more than capital and modern machinery. It also requires technical and managerial personnel who know how to operate business and agricultural enterprises. It requires a literate and healthy population. It requires intelligent public administration.

For its part, the United States is prepared to intensify its participation in technical assistance programs in Latin America—through its own bilateral programs, through the Organization of American States, and through the United Nations programs.

There is, however, one aspect of technical cooperation to which I believe we should give special attention. This is the role which might be played by the proposed Inter-American Development Institution in the field of technical advice. In the past many development projects have failed to go forward either because they were not adequately prepared and engineered or because they were not well designed in relation to the overall development needs of the country concerned. We believe that the proposed Inter-American Development Institution should be so staffed that it will be able to render its member countries technical assistance of this kind. If desired, the United States, through its technical assistance program, would be prepared to support an effort of this nature by the new institution.

### **Expanding International Trade**

The third major area in which we need to intensify our cooperative economic endeavor is that of international trade. All of us in the community of American states live in an interdependent world. If we are to achieve a richer life for our people we must continuously enlarge the opportunities for international trade, both among ourselves and between ourselves and the rest of the free world. As a result of the recent action of our Congress in extending our Reciprocal Trade Agreements Act for a longer period than ever before, the United States is prepared to participate in negotiations to reduce further the barriers to international trade.

In our discussions of international trade I know that there are two subjects which are uppermost in your minds. One of these relates to trade in primary commodities and the other to the possibilities for regional markets in Latin America. I would like to speak briefly to each of these.

Because the economies of the countries of Latin America are heavily dependent on exports of one or a few primary commodities, they can be placed in serious difficulties by sharp price declines for these commodities in world markets. The United States recognizes the importance of this problem. It understands and sympathizes with the concern expressed by Latin American countries on this subject. We are ready to join in the study of individual commodity problems which are creating difficulties to see whether cooperative solutions can be found. We have already done so in the case of coffee and more recently in the case of lead and zinc. We believe that effective international cooperation to avoid acute and recurring imbalances between supply and demand in these commodities can make an important contribution to our objectives.

This does not mean that we feel that easy solutions can be found. It does not mean that we have altered our view regarding the impracticality of rigid price-stabilization schemes. It does mean that we feel that real gains can be made whenever we sit down together in good faith and discuss our common problems.

During the past year or so there has been increasing discussion about the possibility of establishing a regional market or markets in Latin America. It has been the policy of the United States to encourage arrangements to achieve economic integration between two or more countries

because it has believed that such arrangements, if correctly designed, can lead to increased competitive opportunities, greater productivity, and a higher level of trade both within the area concerned and with other countries, including our own. In short we have encouraged integration measures of a forward-looking, trade-creating nature, while at the same time opposing narrower arrangements which would serve to divert and restrict trade. Thus we have supported the European Common Market and the proposed European Free Trade Area, while endeavoring to assure that the interests of outside countries, including those in Latin America, are adequately protected. We have also supported a free-trade area in Central America. We have also made it clear that we are prepared, through the Export-Import Bank, to consider the dollar financing required by sound regional industries in Latin America.

I think I can say with confidence that, if proposals for regional markets in Latin America seem likely to result in genuine economic benefit for the countries directly concerned and in the long-run development of international trade, the United States will give careful study to them in relation to its commercial policies and trade agreements. We are also prepared to do what we can to help interested Latin American countries in framing arrangements for economic integration which would be economically sound. It is in this spirit that we have expressed our willingness to participate in the committee of experts which the executive secretary of GATT has suggested should meet in Washington to examine and discuss specific proposals in the field of regional economic integration in Latin America.

### **A Cooperative Effort for Development**

Throughout their history the American Republics have shared the conviction that free peoples who respect the dignity of the individual and the equality of nations can, through cooperation, not only preserve their liberties and cultures but also build a better and fuller life for themselves and their children. Today we live in a time of great danger to our way of life. It is also a time of great opportunity that challenges us to prove that our system of democratic freedom can yield the greatest material benefit to the individual as well as the greatest spiritual benefits.

Here on the American continent we have great resources and great determination. We have al-

ready accomplished much. In Latin America as in the United States we have experienced a dynamic economic expansion. If we all set ourselves resolutely to our task, if each does his share, and if we work cooperatively for an integrated pro-

gram of development—not for just one part of it, omitting other parts essential to success—we can demonstrate that free peoples can outproduce enslaved peoples and can do so without sacrificing their way of life.

## American Diplomacy and the Soviet Bloc

by Robert B. Wright

The major problem for American economic diplomacy today is the challenge posed by the Sino-Soviet bloc's economic offensive in free-world countries, particularly the less industrialized countries. In the words of Under Secretary of State Douglas Dillon on May 21:<sup>1</sup>

... the most important economic question facing the United States is: What economic system will these 1 billion people of the less developed countries ultimately choose in their struggle with poverty?

The waging of this competitive economic war in cooperation with the free-world countries is the task of American economic diplomacy.

The Soviet economic offensive dates from the latter part of 1953, when new leaders emerged in the Kremlin after the death of Stalin and began using economic contacts with nonbloc countries as an important component of the Soviet international diplomacy of penetration and maneuver. The Soviet program of expanded economic contact with the outside world has involved three principal elements: first, an extension of credits and grants to less developed countries outside the Communist bloc; second, an increase in the flow of

Communist technical assistance through sending bloc technicians abroad and bringing students and experts to bloc countries for training; and third, the expansion of trade between the bloc and free-world countries.<sup>2</sup>

### Magnitude of the Soviet Economic Offensive

The total amount of Soviet bloc credits and grants which have been extended since the beginning of the economic offensive in 1953 is now in excess of \$2 billion. These credits and grants have been concentrated in some 17 less developed countries of the free world. Credits predominate, at low rates of interest—typically 2.5 percent—with generous repayment periods and terms. New credits extended during the first 6 months of 1958 amounted to somewhat over \$400 million, although these new credits were partially offset by Soviet suspension of unused portions of credits to Yugoslavia. An important portion of the new credits is for the purchase of arms by Indonesia and Syria, bringing the total of bloc military aid to underdeveloped countries since 1954 to well over a half billion dollars. The principal recipients of new economic credits during the first 6 months of 1958 were India, Indonesia, Yemen, Ceylon, and Egypt. Pakistan, Turkey, and Iran received

● *Mr. Wright is chief of the Economic Defense Division, Office of International Resources. His article is based on an address made before the National Academy of Economics and Political Science at Washington, D.C., on October 14, 1958.*

<sup>1</sup> BULLETIN of June 9, 1958, p. 968.

<sup>2</sup> For a study published on June 15, 1958, entitled *The Sino-Soviet Economic Offensive in the Less Developed Countries*, see Department of State publication 6632, for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C.; price 60 cents.



small credits, constituting for Pakistan and Iran the first such assistance which these Baghdad Pact countries have accepted from the bloc.

It is estimated that, since the beginning of the economic offensive in 1953, bloc countries have participated in about 160 development projects in underdeveloped countries outside the bloc—steel mills, sugar plants, construction projects of various kinds. Only about a quarter of these projects have actually been completed. Approximately half of the projects have been undertaken with the aid of medium- or long-term credits, while the remainder, for the most part small-scale installations or projects involving only the supply of machinery or components, are being financed by the bloc on commercial credit terms.

In most cases technical assistance has accompanied bloc economic and military aid. About 3,400 Soviet bloc specialists of all kinds were in underdeveloped countries for 1 month or longer during the first half of 1958, a substantial increase compared with the last half of 1957, when there were about 2,400 bloc technicians in underdeveloped countries. Syria, India, Indonesia, and Yemen experienced the major increase in bloc specialists.

The Soviet bloc campaign to expand credits and provide technical assistance has been accompanied by a determined effort to increase trade. The volume of trade between the free world and the Sino-Soviet bloc has indeed increased significantly within recent years. During the period 1952 to 1957 the annual volume of bloc trade with the free world more than doubled, reaching a total (imports and exports) of \$6.3 billion in 1957. Sino-Soviet bloc trade with the underdeveloped countries of the free world was at the level of \$1.8 billion in 1957, approximately double that for 1954 and about 20 percent greater than in 1956. Bilateral trade agreements by Soviet bloc countries with less developed countries of the world numbered only 49 in 1953 but had grown to 149 at the end of 1957 and to 162 by June 30, 1958. The number of trade agreements gives some indication of the momentum of the Sino-Soviet trade drive, although not necessarily an accurate forecast of actual trade.

#### **Target Areas**

In recent months the focus of Soviet attention has continued to be the area of the Near East and North Africa, certain countries of South and

Southeast Asia, and Latin America. During the first half of 1958 the United Arab Republic (Egypt, Syria, and the Kingdom of Yemen) was the principal target of the Sino-Soviet bloc economic offensive in the Near East and Africa. There was a continuous high level of Soviet bloc trade with the United Arab Republic, and arms deliveries continued to the area. In North Africa the Czechoslovaks, Russians, and Communist Chinese have been expanding their trade relations with Morocco, Libya, and Tunisia.

The countries of Afghanistan, India, and Ceylon remain the focal points of the Sino-Soviet bloc economic offensive in South Asia, although new offers of economic assistance have been made to Pakistan and Nepal. Bloc countries continue to account for a large share of Afghanistan's foreign trade and to play an important role in that country's economic development. In India the major development in 1958 was the extension of new Soviet bloc credits of \$65 million, bringing total credits to India from the bloc to \$300 million. The new loans covered the construction of a foundry and an additional Soviet 3-year credit for further materials required at the Bhilai steel plant. Ceylon and the U.S.S.R. concluded an economic cooperation agreement under which the U.S.S.R. will extend to Ceylon a \$30-million credit for development and flood rehabilitation. Total bloc assistance to Ceylon now approximates \$50 million.

In Southeast Asia there have been intensified efforts at Soviet bloc participation in the Indonesian economy. The most recent offer has been to help meet Indonesia's rice requirements. In addition an arms-credit agreement of considerable magnitude covers the delivery of bloc military equipment, including jet aircraft. Bloc technicians are present in Indonesia in large numbers. Both Communist China and the Soviet Union are active in these economic overtures in Indonesia.

Soviet bloc economic activities in Latin American countries during the first half of 1958 were greater than during the previous period and were concentrated in Argentina, Brazil, and Uruguay, with some attention being given to expanding trade with Chile. Increasing economic difficulties within Latin American countries have provided the Soviet bloc with a basis for economic approaches. Brazil's search for new coffee markets, Uruguay's lagging wool sales in Western markets, and Chile's growing need to maintain adequate

export markets for copper have all set the stage for Soviet offers. These commodity situations, added to internal development complications, have aggravated balance-of-payments problems vis-à-vis the hard-currency areas and have prompted resort to bilateral trade outlets toward the Soviet bloc. The willingness to supply petroleum to Latin American countries at a saving in hard-currency expenditures has been an important means of Soviet entry into certain Latin American economies. Of even greater economic and political significance has been the Soviet offer of petroleum equipment to the various government-owned oil companies of Latin America, since such moves might establish a Soviet stake in the longer range development of the area. Thus far Soviet bloc economic penetration in Latin America has been more in terms of an expansion of trade relations than in the provision of development credits or technical assistance.

The most significant recent development in the Sino-Soviet economic offensive in Europe has, of course, been the suspension of Soviet assistance to Yugoslavia. This event highlighted the political motivation at the heart of the Soviet foreign-credit program and demonstrated clearly to other aid recipients the hollow ring of the Soviet motto which proclaims that no strings are attached to aid by one brother country to another. The Soviet Union in May suspended two large developmental credits to Yugoslavia, the unutilized portions of a \$110-million Soviet investment credit, and a \$175-million joint Soviet-East German credit for the construction of an aluminum combine. The net suspension amounts to \$244 million, or more than half of the total amount of credit which has been extended to Yugoslavia by the Soviet bloc. Communist China has taken strong parallel action to terminate its trade with Yugoslavia.

Soviet economic measures must, of course, be kept in perspective. The Soviet effort is much less in absolute terms than that of the free-world countries. Soviet trade with the less developed countries of the world represented only about 6 percent of Soviet total foreign trade in 1956; the trade of Communist China and the European satellites represented a slightly higher percentage of their total trade. In only a few cases has trade of the less developed countries with the Sino-Soviet bloc represented more than 25 percent of their total trade. Soviet assistance to most less developed countries is greatly exceeded by that

provided by the industrialized countries of the free world, either directly or through established international financial institutions. To the selected less developed countries which have been recipients of significant Soviet bloc credits, United States economic assistance alone since mid-1955 has been half again as large as that of the Sino-Soviet bloc.

U. S. AND SINO-SOVIET BLOC ECONOMIC ASSISTANCE TO  
SELECTED LESS DEVELOPED COUNTRIES, JULY 1, 1955-  
JUNE 30, 1958

(millions of U. S. dollars)

Country	Total United States <sup>1</sup>	Total Sino-Soviet bloc
Afghanistan . . . . .	60	136
Burma . . . . .	56	42
Cambodia . . . . .	109	22
Ceylon . . . . .	28	50
Egypt . . . . .	16	255
India . . . . .	684	300
Indonesia . . . . .	139	160
Iran . . . . .	142	3
Nepal . . . . .	13	13
Pakistan . . . . .	358	2
Syria . . . . .	---	194
Thailand . . . . .	75	---
Turkey . . . . .	315	10
Yemen . . . . .	---	25
Yugoslavia . . . . .	193	220
Total . . . . .	2, 188	1, 432

<sup>1</sup> U. S. aid includes: (a) Mutual security program economic and technical assistance; (b) Development Loan Fund loans; (c) long-term Export-Import Bank loans; (d) Public Law 480, title I, proceeds loaned or granted as economic assistance; (e) Public Law 480, title II, grants for famine and emergency relief.

The real key to the significance of the Soviet economic program is not to be found, however, in an examination of statistics and percentages. That program can be judged only by examining the particular circumstances of each offer of Sino-Soviet aid or trade to a free-world country. These details are very important because they disclose the pattern of Soviet interest. On the basis of such an analysis it becomes clear that the Soviet bloc effort in the less developed countries has been to affect a country's attitude and performance in a special way at a particular time.

The Soviet economic program in the more industrialized countries of the world is best understood in terms of the Communist objective of becoming as self-sufficient in the economic sphere as possible. In Soviet thinking, international trade in general is a strategic liability to the extent that it involves dependence upon the capitalist world. The concept of autarky has always been basic to Soviet trade policy. The bulk of

Soviet bloc trade represents exchanges within the bloc rather than trade with the outside world. The amount of Soviet bloc trade with the free world seems determined primarily by the import needs of the bloc rather than by any operation of the theory of comparative advantage. Bloc imports of machinery, technology, essential materials, or foodstuffs fill a specific requirement in an overall plan which does not contemplate indefinite dependence upon imports. Exports, principally to the industrialized countries of the West, seem to serve the purpose of earning foreign exchange to cover these essential needs.

The form of bloc commercial and economic relations with free-world countries, therefore, is shaped in large part by Sino-Soviet bloc political objectives. Accordingly Soviet bloc economic relations with the less developed countries show a pattern of great concentration. About 90 percent of the bloc's established credits outside the Soviet bloc has gone to just six countries—Egypt, Afghanistan, Indonesia, India, Syria, and Yugoslavia. The key to Soviet bloc actions in the economic sphere in these less developed countries is to be found in Soviet political and strategic objectives at any given time with respect to individual countries.

If we were to define the nature of the governing Soviet political objective in the less developed countries in broad terms, we should probably describe it as an effort to supplant the influence of the United States and other free-world countries and to create an orientation toward the Sino-Soviet bloc wherever opportunities present themselves. There are many ways in which the Soviet bloc may promote this broad objective by economic means affecting either the less developed or the more industrialized countries of the world: credits, gifts, the purchase of burdensome surpluses, the sale of other surpluses on world markets, the provision of technical advice, the conclusion of trade agreements, the mere offer of trade agreements, or the mere expression of willingness to discuss an increase in trade.

#### **Communist Economic Potential**

The facts and methods of Sino-Soviet economic penetration throughout the world are surely clear by this date. What Communist potential for this sort of activity must the United States expect to face?

There seems little question of the Soviet bloc's ability to sustain the sort of economic offensive upon which it is engaged. The gross national product of the Soviet Union is now estimated at about \$175 billion and that of the entire bloc, including Communist China, at \$285 billion. The U.S.S.R. gross national product has been growing at an average annual rate of 7 percent, as compared with 4 percent for the United States. The growth of industrial production in the Soviet Union is at an even higher rate. The bloc is producing, in increasing quantity and variety, the kinds of machinery and capital goods that underdeveloped countries require for their economic development. The output of machine tools and steel, for example, in the Soviet bloc by 1958 exceeded production in the United States for the first time. Moreover, from the standpoint of the theory of comparative advantage, a basis exists for considerable expansion of trade with the less developed countries. Clearly the Sino-Soviet bloc can continue to expand its economic assistance to less developed free-world countries without a serious long-term strain on bloc resources.

#### **Techniques of Sino-Soviet Economic Penetration**

The United States and other industrialized free-world countries have preponderant economic capabilities. The Soviet bloc, however, has important tactical advantages in terms of authoritarian direction of the whole economy. The countries of the West depend largely upon private economic institutions and upon legislative bases for governmental aid efforts. These arrangements do not permit as great a unity of government action as prevails in the Sino-Soviet bloc. The Soviet bloc countries can quickly and freely move to make sales and purchase offers irrespective of general market conditions; the governments of the West rely on the operation of a commercial market which cannot ignore general price and supply conditions. The Soviet bloc governments can without difficulty define highly favorable terms for loans and credits; Western countries operate their aid and credit programs within a framework of legislative and economic arrangements both national and international.

The story of Soviet bloc penetration of individual key countries by trade agreements, military equipment, and credits is by now familiar, and the motivation is clear. The story of trade

warfare, such as that by Communist China with Japan, is equally clear. A more recent aspect of Sino-Soviet bloc economic activity which deserves special mention is Soviet bloc participation in world commodity markets. Here there seems to be a mixture of motives, and the Soviet economic activity does not necessarily coincide with Soviet political interests. In fact Soviet competition in basic commodities may be to the disadvantage of the very countries which overall Soviet bloc policy seeks to influence.

#### **United States Diplomatic Problems**

The task for American economic diplomacy in the face of the Soviet economic offensive is much more complex than that which faces the Soviet Union, whose diplomatic "mobilization" problems are quite different. The basic problem for American economic diplomacy is to see that the American economic potential is used in the most effective way possible and that its use harmonizes with the efforts of other free-world countries.

This is not a matter of simply meeting with a counteraction every Soviet act of economic penetration. The United States does not seek to match Soviet offers of aid, country by country, project by project, or dollar for dollar. Our most effective strategy is to go forward with our own programs of aid and assistance in their own terms, on their own merits, and for our own objectives, namely, the promotion of genuine political independence and economic strength in other countries within an expanding world economy. The intent of American and of other Western aid efforts is to integrate the emerging less industrialized nations into the multilateral system of trade and payments and to provide them with a stake in that system of free-world economic relationships.

Having decided what course of action would be desirable and possible within the American legislative and administrative framework, the American diplomat must be certain that the proposed action would be consistent with the policies and actions of other free-world countries cooperating with us in the effort to meet the Soviet bloc economic challenge. American actions in the context of that challenge cannot be taken in isolation. They must be fitted with consistency into the structure of total free-world economic cooperation. In many cases the American effort is but

part of a larger multilateral effort—for example, the recent support program for India—which has a far more significant impact as a whole than the United States effort could have by itself. It is necessary to be certain that the proposed action, including the steps of its accomplishment, truly contributes to building the sort of world economy we seek and into which we wish to fit the less developed countries as full-scale members.

The diplomatic task for the Soviets is, of course, much simpler. The needs of the European satellites are strictly subordinated to the requirements of Soviet policy. The Soviet Union or Communist China is able to foster political and social discontent and to profit thereby at a fraction of the effort which the United States and other cooperating countries must expend to foster constructive national growth.

Since the objective of the United States is to strengthen free-world economic ties rather than to beat the Soviet Union in a particular project, American diplomacy must seek to accomplish that objective across the full range of American economic foreign policy 24 hours a day. The general framework for the sort of world economy we seek covers many different areas. The efforts of American economic diplomacy in devising American programs and enlisting the support of other cooperating countries must be devoted to each of them.

#### *Trade Policy*

The newly extended Trade Agreements Act provides the framework within which the United States must work out policies which will increase American trade with the free world as a means of assisting both industrialized and less developed countries to maintain sound economies. The General Agreement on Tariffs and Trade will continue to provide a means for regulating and facilitating international trade.

#### *Aid and Assistance*

The mutual security program, the Export-Import Bank, the Public Law 480 resources for the disposal of agricultural surpluses on favorable terms for recipient countries, all are an essential part of the program of maintaining economic strength in the free world. The Development Loan Fund, however, deserves special emphasis. It is a key means for assisting the less developed countries to make progress in their urgent eco-



conomic development needs. The Development Loan Fund has the \$400 million recently appropriated by Congress plus a small remainder from the \$300 million appropriated last year, but Under Secretary Dillon in testifying on the mutual security program for fiscal year 1959 before the Senate Committee on Foreign Relations on March 27, 1958, estimated that by June 1959 the fund would have \$2.5 billion in applications. The Development Loan Fund is a critical element in meeting the Sino-Soviet bloc challenge, and it seems clear that a higher level of activity by the fund could be economically justified.

The efforts of the United States should also be directed at obtaining a larger degree of support by other industrialized countries for the development efforts of less industrialized countries of the free world. The more funds that are available from the other industrialized countries, as well as from the United States, the less compulsion there will be for less developed countries to become dependent on Soviet aid. In addition the resources of the International Bank for Reconstruction and Development are used to accomplish the same objectives which are sought by the United States and other cooperating countries individually. With this fact in mind, the Secretary of State on September 18 suggested to the United Nations General Assembly<sup>3</sup> that consideration be given to increasing the capital of the bank<sup>4</sup> and expressed the hope that, on the basis of continuing action by many countries, "1959 could become a year of outstanding initiative in the long-term process of economic growth."

#### *International Financial Stability*

In periods of declining prices for primary commodities the foreign-exchange earnings of producing countries are frequently reduced to critical levels requiring external support. The International Monetary Fund plays an important role in such situations, and its capabilities are to be extended. In addition to the less developed countries and their problems of commodity instability, there are also acute problems of balance-of-payments instability even in such industrialized countries as France. The United States must continue

to stand ready to assist in providing fiscal support in such critical situations, but it can operate most effectively in conjunction with the international institutions.

#### *Regional Economic Development*

Regional economic development is regarded by many countries as a means of increasing the association of free-world countries in constructive measures. Europe, Latin America, the Near East, the Far East, and Africa have all seen the emergence of such proposals. Europe is the most advanced in developing such regional institutions. The Secretary of State made clear to the United Nations the United States willingness to consider how it might cooperate with regional development programs where desired and supported by the governments of the areas concerned and where the advantages of a regional approach are evident.

#### *Commodity Policy*

Many of the most fruitful opportunities for Soviet manipulation come from unstable world commodity situations and their impact on producing countries. The United States has indicated its willingness to participate with other countries in studying commodity problems and trying to work out programs for cooperative multilateral action.

#### *Private Enterprise Abroad*

The capital needs of the less developed countries make it clear that private foreign investment would be highly desirable. However, foreign investors seem reluctant to take undue risks, particularly in the relatively unstable economies of less developed countries with an uncertain outlook for future foreign-exchange earning capacity. Expropriation and nationalization are sometimes of concern. Nevertheless, there is a variety of ways in which private participation might be increased. Among those which are part of the United States program or which have been suggested are: the negotiation of treaties to establish more stable conditions for the treatment of investors, tax reforms to encourage investment abroad, extension of United States Government guaranties or the development of a multilateral guaranty arrangement, or a closer working association between the government and private enterprise. Persistent efforts by both government

<sup>3</sup> BULLETIN of Oct. 6, 1958, p. 525.

<sup>4</sup> For statements by Mr. Dillon and Secretary of the Treasury Robert B. Anderson at the New Delhi meeting of the bank's Board of Governors, see *ibid.*, Nov. 17, 1958, p. 793.

and the private elements of the economy should increase the scope for private enterprise.

#### **Key Words for American Diplomacy**

In working as energetically as it can within the policy areas just enumerated, American diplomacy must keep in mind two key words: "flexibility" and "confidence."

*Flexibility* or resourcefulness in finding new approaches to foreign economic problems and in working out programs within the governing legislative and policy framework—for example, the aid programs for India and Turkey—will be of particular importance in the years immediately ahead of us. The ability to react promptly to new situations and to react in the right way will be a factor in determining the effectiveness of the U.S. effort. It is essential not only to do the right thing but to do it in time.

The second key word is *confidence*—confidence in the free world's strength and the validity of the free world's objectives if they are pursued with steady consistency. It is important to remember that our real goals are to expand world productivity on the basis of free institutions rather than to engage in limited economic battles with the Soviet bloc. The United States and the other industrialized countries of the free world have much more to offer less developed countries over the long pull than does the Soviet bloc. The Western countries have greater variety and flexibility of markets and finance within the dollar area and the currency area of the Organization for European Economic Cooperation than do the Soviet bloc countries within their ruble area. The Soviet bloc, after all, cannot displace the countries and the international institutions of the free world in terms of providing less developed countries with a favorable climate for balanced economic development. It is this permanent advantage which the United States should consistently emphasize in selecting the form of its approach to the Soviet economic challenge. United States diplomacy has most to offer to less developed countries when it emphasizes United States or multilateral programs for balanced development and participation in the multilateral system of world trade and payments.

Finally we must recognize in confronting the Sino-Soviet bloc economically that American economic diplomacy faces a situation and a challenge

which will persist into the indefinite future. We must be resourceful in meeting a great variety of problems. Our aim is to keep the uncommitted countries within the economic system of the free world; we know that it provides a better prospect for their long-term welfare than does the Soviet system. We measure success in terms of whether such free-world countries are able to increase their welfare and maintain their institutions independent of Sino-Soviet direct or indirect influence. We can be confident of the outcome if we hold consistently to the basic purposes of our economic foreign policy.

### **United States and Italy To Aid Public Works in San Marino**

Press release 713 dated November 21

The United States has agreed in principle to cooperate with Italy in the financing of certain public works projects in San Marino, the Department of State announced on November 21.

An agreement by Italy was signed in San Marino on November 20 by Italy's Secretary of State for Foreign Affairs, Alberto Folchi, to underwrite 530 million lire (approximately \$830,000) of the cost of improved highway communications between the two countries.

Commitment of the U.S. assistance to San Marino is subject to technical review and approval of specific projects which are currently under study by the International Cooperation Administration in Washington. Upon approval, the United States would be prepared to contribute the lira equivalent of \$850,000 from U.S.-owned local currencies now held in Italy, which were generated by previous sales of surplus U.S. agricultural commodities.

### **DLF Loan Agreements Signed With Republic of China**

#### **SHIHMEN MULTIPURPOSE DAM**

Press release 681 dated November 10

The U.S. Development Loan Fund on November 10 signed an agreement with the Republic of China providing \$21.5 million in DLF loan funds

to help the Chinese Government finance the cost of the Shihmen multipurpose dam, which is under construction in northwest Taiwan.

George K. C. Yeh, the Chinese Ambassador, signed the agreement on behalf of his Government, while Deputy Managing Director Robert B. Menapace signed for the Development Loan Fund.

The DLF loan is in addition to approximately \$8 million in International Cooperation Administration funds which the United States previously made available to China as a grant to help finance dollar costs of the project. The remainder of the estimated total cost of the equivalent of \$80 million represents the contribution of the Chinese Government.

When completed, the Shihmen project will produce power needed for further industrialization on Taiwan and provide flood control and added water supply. It is estimated the project will provide a water supply for 340,000 persons and irrigation of 140,000 acres of land.

The DLF loan is repayable over 35 years at 3½ percent interest with payments and interest in Chinese currency.

#### **TAIWAN RAILWAY SYSTEM**

Press release 684 dated November 12

The U.S. Development Loan Fund and the Republic of China on November 12 signed an agreement for a \$3.2 million loan to the Taiwan Railway Administration to assist in carrying out a dieselization and modernization program for the Taiwan railway system.

Because of the major role played by railways in the transportation network of Taiwan and because of the importance of improved transportation facilities in the industrial expansion of the island, the modernization of railway facilities has a high priority in the economic development program of Taiwan.

The Development Loan Fund loan agreement was signed by Martin Wong, Economic Minister Counselor of the Chinese Embassy at Washington, for the Taiwan Railway Administration, and by Acting Managing Director Robert B. Menapace for the Development Loan Fund.

The proceeds will be used to assist in financing the importation of 12 diesel electric locomotives

and installation of central traffic control on 91 kilometers of the Taiwan railway system's trunkline between Chunan and Changhua. Four of the locomotives will be of the road type and eight switch-engine types. The traffic control project will include installation of signaling equipment, improvement of tracks and bridges, and lengthening of sidings.

The project, which will increase the capacity of the Chunan-Changhua trunkline from 52 to 90 trains daily, is part of an overall dieselization and modernization program being carried out by the Taiwan Railway Administration with assistance from the U.S. mutual security program. Present plans call for acquisition of 25 new diesel units in the period ending 1960 to meet increasing traffic volume and 32 units in the same period to replace old steam locomotives. With this shift to diesel power, it is estimated a savings of 100,000 tons of coal a year will be effected.

Progressive and eventually complete dieselization of the Taiwan railway system was one of the major recommendations of a recent engineering study of the system. Taiwan Railway Administration's present motive power is comprised entirely of coal-fired steam locomotives. Of the 219 units now in active service, more than 130 are 30 years of age or over and are uneconomical to operate.

#### **Congressional Documents Relating to Foreign Policy**

##### **85th Congress, 2d Session**

Operation of Article VII, NATO Status of Forces Treaty.

Hearing before a subcommittee of the Senate Committee on Armed Services to review, for the period December 1, 1956, to November 30, 1957, the operation of article VII of the agreement between the parties to the North Atlantic Treaty regarding the status of their forces. July 29, 1958. 66 pp.

The Soviet Empire: Prison House of Nations and Races.

A study in genocide, discrimination, and abuse of power, prepared by the Legislative Reference Service of the Library of Congress at the request of the Subcommittee To Investigate the Administration of the Internal Security Act and Other Internal Security Laws of the Senate Committee on the Judiciary. S. Doc. 122, August 18, 1958. 72 pp.

Control and Reduction of Armaments. Final Report of the Committee on Foreign Relations, Subcommittee on Disarmament. H. Rept. 2501, October 13, 1958. 662 pp.

## Review of 13th Session of Contracting Parties to GATT

Press release 707 dated November 21, for release November 22

*Following is a report by the U.S. delegation on the proceedings of the 13th session of the Contracting Parties to the General Agreement on Tariffs and Trade concluded at Geneva on November 22.*

The 37 Contracting Parties to the GATT—the General Agreement on Tariffs and Trade—have ended their 13th session at Geneva, Switzerland, with new decisions that international action is needed to stimulate world trade. The conference agreed on the need for common action in three key areas of international trade—tariff reduction, study of the effects of agricultural protection, and the export problems of underdeveloped areas.

The GATT is a multilateral trade agreement whose participating countries account for almost 85 percent of world trade. Its main features are schedules of agreed tariff rates, provisions limiting the use of nontariff measures to regulate trade, and procedures for consultations on specific trade problems. The annual sessions of the GATT Contracting Parties constitute the principal world trade forum.

During the recent 13th session it was agreed to hold two sessions a year and to deal with urgent matters arising between sessions through an inter-session committee. The conference agreed to discuss some form of association between Yugoslavia and the GATT Contracting Parties and to the provisional participation of Switzerland and Cambodia in the general agreement.

The 13th session opened October 16 with a meeting of ministerial representatives, who reviewed the current international trade scene. Douglas Dillon, Under Secretary of State for Economic Affairs, represented the United States in the ministerial discussion.<sup>1</sup> Assistant Secretary of Commerce Henry Kearns also participated in the

opening days of the session. W. T. M. Beale, Deputy Assistant Secretary of State for Economic Affairs, was chairman of the United States delegation. Deputy Assistant Secretary of Commerce Marshall M. Smith and Albert E. Pappano, chief of the Commercial Policy and Treaties Division of the Department of State, were vice chairmen. Senator Prescott Bush of Connecticut served as adviser. Stanley Ruttenberg of Washington, D. C., Richard Wagner of Chicago, Ill., and George Wilson of Clarksburg, Calif., participated as nongovernmental members representative of labor, industry, and agriculture. For the first time the delegation included a representative of consumer interests, Mrs. Enid Robinson of Hampton, Iowa.<sup>2</sup>

The ministerial debate centered around the Haberler report.<sup>3</sup> This is a study of trends in international trade prepared by four experts—Professors Gottfried Haberler of Harvard, James Meade of Cambridge, Jan Tinbergen of Rotterdam, and Roberto de Oliveira Campos of Brazil—which was commissioned at the previous session. In response to the United States proposal for a new round of tariff negotiations, a program of future work on expansion of trade was drawn up. It also reflected ministerial discussion of the Haberler report and its analysis of the variety of important world trade problems.

### Program for Expansion of Trade

The Contracting Parties agreed that intensified efforts should be made to expand international

<sup>1</sup> For a complete list of the U.S. delegation, see *ibid.*, Nov. 3, 1958, p. 713.

<sup>2</sup> Copies of the Haberler report, *Trends in International Trade, a Report by a Panel of Experts, General Agreement on Tariffs and Trade, Geneva, October 1958*, can be obtained from the International Documents Service, Columbia University Press, 2960 Broadway, New York 27, N.Y.; price \$2.

<sup>3</sup> For a statement by Mr. Dillon at the ministerial session on Oct. 16, see BULLETIN of Nov. 10, 1958, p. 742.



trade, the field of particular competence of the general agreement. They identified three areas where such efforts should be concentrated. Two of these were the trade difficulties cited in the Haberler report—the effects of protectionism throughout the world on agricultural trade and the relatively low rate of growth in the export trade of the less developed countries. A third area was the tariff field. Three separate committees were set up for these areas.

In proposing another round of multilateral tariff negotiations the United States pointed out that negotiations beginning in mid-1960 would fit in with the need for the six member countries of the European Economic Community to adjust their existing tariff concessions before taking their first step on January 1, 1962, toward a common external tariff.

### European Economic Integration

Since the last session of the Contracting Parties the Rome Treaty establishing a European Economic Community (the European Common Market) among France, Italy, Federal Germany, Belgium, the Netherlands, and Luxembourg has entered into force. During the year efforts have also been continued to negotiate a European Free Trade Area, which would associate multilaterally the Common Market, the United Kingdom, and the other members of the OEEC. The six countries of the EEC will, after a transitional period of about 12 years, have a customs union, within which there will be no restrictions on the flow of trade and which will apply a common external tariff to imports from outside the Community. The proposed Free Trade Area would also eliminate restrictions on trade among member states but allow each member to maintain its own tariffs against imports from nonmembers.

The GATT recognizes, subject to certain conditions, the desirability of such arrangements because of their trade-creating potential. The Contracting Parties accordingly are following closely developments in respect to the EEC and the proposed FTA.

The Contracting Parties approved, with some technical amendments, the approach regarding the European Economic Community which had been developed at the meeting of the Intersessional Committee in April–May of 1958<sup>4</sup> with

<sup>4</sup> For a review of the meeting of the Intersessional Committee, see BULLETIN of June 2, 1958, p. 925.

reference to the procedures for consultations among the Common Market countries and other contracting parties, and to the decision to postpone any final determination as to the status of the Rome Treaty under the general agreement. Generally this approach recognizes that the details of a number of important features of the Treaty of Rome remain to be decided by the institutions of the Community and that it is not possible or profitable to examine at this time the terms of the treaty in relation to the relevant provisions of the general agreement. The Contracting Parties therefore agreed, without prejudice to the legal questions which may arise, that multilateral consultation shall take place between the Community and those contracting parties that believe that their trade interest may be adversely affected as the result of specific measures decided on by the Community.

During the session the Contracting Parties held consultations on import restrictions with Australia, Ceylon, Ghana, and the Federation of Malaya, and the Federation of Rhodesia and Nyasaland. Under the authority of a special provision of the agreement, each of these countries maintains certain import restrictions that discriminate against imports from the dollar area. Ceylon, however, announced shortly after its consultation that it was abolishing its few remaining discriminatory restrictions. Ghana and Malaya, which came into the agreement last year, consulted for the first time. The Contracting Parties formally concluded a consultation with New Zealand, which reported substantial progress in reducing its discrimination against dollar-area goods. The Contracting Parties also began consultations with the United Kingdom. These will be resumed in the spring of 1959, along with the other consultations scheduled for next year.

The Contracting Parties continued their discussion with the Federal Republic of Germany on dismantling its remaining import restrictions, originally applied for balance-of-payments reasons. These discussions began in 1957, when the International Monetary Fund reported that Germany no longer needed to use import restrictions to protect its foreign-exchange reserves. During the current discussions the Germans also announced that restrictions on a variety of agricultural products of interest to American agriculture, including raisins, fruit juices, and seed items, are being removed. German restrictions on a number

of industrial products will be removed on January 1, 1959. Most of the remaining restrictions on industrial imports are scheduled to be removed by January 1, 1960.

The United States, joined by other countries, expressed continued concern that despite Germany's economic progress a variety of important agricultural products and some industrial items are still subject to import controls. The United States expressed particular concern with the discriminatory character of remaining restrictions.

In considering the matter, the Contracting Parties agreed normal procedures of the general agreement could be adapted to handle problems arising in this situation and, further, that the same approach might profitably be applied in other cases where the interests of a number of contracting parties were involved. Consultations were begun during the session on the problems of trade in coffee, tea, cocoa, tobacco, sugar, and bananas which may arise out of the development of the EEC.

The spirit of cooperation and understanding which prevailed during the meeting last spring continued during the session. The United States representative commended the EEC on the progress that it had achieved. He expressed the belief that any problems could be settled without interfering with the Community's effective development and called attention to the consultation procedures as a means for dealing with specific difficulties. Various delegations, including that of the United States, recalled certain areas of concern but were willing generally to await developments under the terms of the treaty. Several delegations expressed appreciation for the statements made by Mr. J. Rey and Mr. S. T. Mansholt on behalf of the European Economic Community during the ministerial discussion. This was the first time that members of the EEC commission had expressed views at a session of the Contracting Parties.

The Contracting Parties noted that negotiations for a European Free-Trade Area were continuing and expressed the view that, at such time as the agreement might be signed, it should be made available to the Contracting Parties for their review and comment.

#### **Balance-of-Payments Import Restrictions**

The Contracting Parties agreed on procedures for the first series of annual consultations which

the revised provisions of the agreement require be held with countries maintaining import restrictions to conserve foreign exchange. Consultations will be held next year with 16 of these countries. As in the past, the United States will seek through these consultations to encourage the consulting countries to relax their remaining restrictions as rapidly as possible.

The Contracting Parties decided that interested countries should jointly consult with Germany regarding restrictions that will be maintained by Germany after December 31, 1958. This consultative group, which will include United States representatives, will meet in Geneva early next year. The Contracting Parties expect to consider the report of the consultative group at their next session, scheduled for April 1959. The United States and other contracting parties called on Germany to reexamine its situation even before the consultative group convenes and urged that it eliminate restrictions still in force or otherwise bring its commercial policy into conformity with its obligations under the general agreement.

The United States consulted bilaterally with certain countries maintaining import restrictions (Japan, Denmark, Norway, Ceylon, Australia, Brazil, the Netherlands, the Dominican Republic, and the Federation of Rhodesia and Nyasaland) with a view to easing specific problems which have arisen in U.S. trade with these countries. Among the commodities discussed in these informal conversations were fresh fruit, canned fruit, tobacco, automobiles, whisky, television sets, and writing equipment. A full and frank exchange of views was achieved in all cases, and some relaxations of existing restrictions on specific goods were obtained.

#### **Tariff Adjustments**

At Cuba's request the Contracting Parties established a Tariff Negotiations Committee to steer the various renegotiations on which Cuba expects soon to embark in connection with its current tariff revision. These negotiations will be conducted under the procedures of article XXVIII, and perhaps article XVIII, as agreed in a decision taken at the 12th session. The negotiations themselves will not begin until a later date, and the United States will not, for its part, join in such negotiations until after the usual opportunity has been given to interested parties to submit their views.

The committee established at the session concerned itself in its initial meetings only with preliminary arrangements about the form and extent of statistical and tariff information which negotiating countries would want to receive from Cuba.

The session also approved the text of a protocol to embody the results of the tariff renegotiations conducted with Brazil. This protocol will be open for signature later in the year.

At the session a number of other tariff renegotiations were conducted. These included approval of some minor requests for authority to renegotiate in special circumstances. Some technical modifications incident to conversion of duties from a specific to an ad valorem basis were authorized.

#### **Organizational Arrangements**

To improve the administration of the general agreement, two short sessions of the Contracting Parties each year, extending for 3 weeks, will take the place of annual sessions lasting 6 to 8 weeks. This arrangement will expedite the transaction of regular GATT business and permit more timely and effective consideration of new and urgent problems.

The Contracting Parties also decided that, while the Intersessional Committee would be given general authority to conduct intersessional business on their behalf, some responsibilities would also be assigned to working parties which would continue in existence between sessions. Member countries were urged to provide qualified permanent representatives in or near Geneva who could effectively and responsibly represent their countries in dealing with the GATT secretariat and with the resident representatives from other countries.

The rules of procedure were altered so that the chairman and two vice chairmen will serve for 1 year from the close, not the start, of the session at which they are elected. According to the new procedure, Mr. L. K. Jha of India, who had been elected chairman of the Contracting Parties at the 12th session, served throughout the 13th session. The new chairman, who assumed office at the close of the session, is Mr. Fernando García Oldini, head of the Chilean delegation and his country's Ambassador to Switzerland. As vice chairmen, Mr. Giuseppe Ferlesch of Italy and Mr. J. G. Crawford of Australia succeeded Mr. García Oldini and Mr. Emanuel Treu, leader of the Austrian delegation.

#### **New Participants**

Switzerland is currently engaged in tariff negotiations with a substantial number of contracting parties as a step toward provisional participation in the general agreement. At the 13th session the Contracting Parties adopted a declaration and a resolution which, when accepted, will bring into effect the results of these negotiations and will establish the rules of the general agreement as governing commercial relations between contracting parties and Switzerland.

Yugoslavia has expressed the wish to establish closer relations with the Contracting Parties and to contribute through this association to the establishment of mutually advantageous commercial relations with the governments which are parties to the GATT. The Contracting Parties established a working party to report to the 14th session on the terms on which the Government of Yugoslavia might be brought into association with the Contracting Parties. The working party is also to report on the advisability of further study on the possible development of such association into full participation in the general agreement.

The Cambodian Government informed the Contracting Parties that Cambodia had decided in principle to accede to the general agreement. Pending formal accession Cambodia will apply *de facto*, on a reciprocal basis, the provisions of the general agreement in the conduct of its trade with the Contracting Parties. The question of United States participation in tariff negotiations with Cambodia was reserved for later decision.

Japan has been a contracting party since 1955, but a number of GATT countries have availed themselves, with respect to Japan, of a provision which permits nonapplication of the general agreement. As they have at previous sessions, the United States and several other countries supported Japan's request for full application of the general agreement by all GATT countries. India announced that it is now applying the general agreement fully toward Japan.

#### **Transport Insurance**

The United States strongly supported a proposed recommendation that countries avoid measures which limit the freedom of traders to place transport insurance in the markets and on the terms they wish and eliminate existing insurance restrictions as rapidly as possible. France, the

Federal Republic of Germany, the United Kingdom, Austria, Sweden, Norway, and Denmark supported the U.S. proposal. It was opposed by Cuba, Ceylon, Pakistan, and Chile, who felt that underdeveloped countries should be free to protect their own insurance industries or to regulate insurance for balance-of-payments reasons. Having failed to achieve substantial agreement, the Contracting Parties decided to take this matter up again at their next meeting.

#### **Private Restrictive Business Practices**

The Contracting Parties decided to appoint a group of governmental experts to study and make recommendations to the Contracting Parties concerning restrictive business practices in international trade. The group will submit a report by the end of 1959, to be considered by the Contracting Parties in 1960.

#### **Surplus Disposal**

As at previous sessions, the Contracting Parties discussed the experience under a resolution adopted in 1955 to encourage caution in the disposal of agricultural surpluses and adequate consultation with countries whose commercial markets might be adversely affected. While general satisfaction was expressed with the efforts being made by the United States to dispose of its surpluses without seriously impairing the trade of others, concern was still expressed over the impact of the extensive U.S. disposal programs on the trade interest of other agricultural exporting countries. It was agreed that the matter would be kept before the Contracting Parties.

#### **Primary Commodity Trade**

The importance of trade in primary commodities to many Contracting Parties, in particular the less developed countries, has led to an annual review of trends and developments in such trade by the Contracting Parties. In order to clarify the Contracting Parties' role in matters of commodity trade, as against that of the U.N.'s Commission on International Commodity Trade and other commodity organizations, the Contracting Parties agreed in the course of this year's review that future reviews should be directed toward a better understanding of the impact of commodity problems upon world trade in general. They

also agreed that any other activities in respect to commodity problems should be precisely related to the Contracting Parties' particular competence and responsibilities.

#### **Settlement of Differences**

The Contracting Parties considered several specific trade-policy problems. Although no progress could be reported on the reduction of a French stamp tax on payments of customs duties, the French delegate announced that government regulations to further the mechanization of agriculture had been changed to remove discrimination against imported machinery. The Contracting Parties received reports on the progress of consultations regarding Italian regulations that allegedly discriminate against imports of agricultural machinery and steel plates for shipbuilding. The Netherlands again complained that the import restrictions on certain dairy products maintained by the United States impair a concession obtained under the general agreement. The Contracting Parties authorized the Netherlands to restrict the imports of U.S. flour to 60,000 metric tons during the year 1959 as compensation for that impairment. An expert panel considering subsidized exports of wheat and flour by France recognized the future possibility of injury from such exports. The panel recommended that France consider revising its export procedure and suggested that France have prior consultations with Australia when exporting to traditional Australian markets in Southeast Asia.

#### **Waiver Report**

The Contracting Parties received and examined reports on waivers of general-agreement obligations granted at previous sessions. The United States reported on import controls maintained under section 22 of the Agricultural Adjustment Act. Such controls are imposed as necessary to prevent imports from materially interfering with price support or other agricultural programs. Belgium reported on its waiver, under which it has undertaken to eliminate progressively the restrictions maintained under the waiver and to remove all such controls by 1962. Belgium was again urged to hasten the elimination of these restrictions. Italy, Austria, the United Kingdom, France, and Germany also reported on waivers granted to them.



The Contracting Parties agreed to hold their next session in Geneva in April 1959 and to accept the invitation of Japan to meet in Tokyo in October 1959.

## **U.S. Views on Annual Report of Atomic Energy Agency**

*Statement by Senator Bourke B. Hickenlooper  
U.S. Representative to the General Assembly<sup>1</sup>*

On behalf of my delegation, I wish to congratulate Director General [W. Sterling] Cole and his staff on the success of the first year of operation of the International Atomic Energy Agency. The agency's annual report to the General Assembly, which we have before us,<sup>2</sup> and the Director General's remarks show clearly that the agency is establishing itself on a strong and healthy basis with the initiation of a variety of operating programs. It is making substantial progress toward its objective of bringing the benefits of atomic energy to the people of the world.

There have naturally been difficulties in the path of such a pioneering effort in a highly technical field. My delegation believes that these difficulties are the inevitable accompaniment of the adjustment that takes place when man moves forward from ideals to the practical work of putting them into effect.

One must not be discouraged by this. While the growth of any newly established international organization should be steady, it should be at such a rate as will not dissipate its strength. This is what we should expect of the agency, rather than any spectacular leap to full stature all at once. The Director General's report shows that the growth taking place is of this healthy kind.

Mr. President, we urge the continued full support of the agency by all members of the United Nations and the specialized agencies. We note with satisfaction and wish to encourage such constructive work, now getting under way, as the broad growth of training activities; the planning of cooperative projects with the specialized

<sup>1</sup> Made in plenary session on Oct. 30 (U.S. delegation press release 3046).

<sup>2</sup> U.N. doc. A/3950.

agencies and with member governments in the tremendously promising field of the use of radioactive isotopes; comprehensive surveys of less developed areas to begin long-range plans for diversified utilization of atomic energy; and the study of possibilities for development of small reactors and their use in areas of low power consumption.

We welcome the continued and increasingly close cooperation with the United Nations; for example, the steps which have been taken to enable the agency to participate in the United Nations Expanded Technical Assistance Program, its participation in the Administrative Committee on Coordination and in the Economic and Social Council. We are glad that relationship agreements with five of the specialized agencies have been concluded; and we look forward to the development of close intersecretariat working relationships on a day-to-day basis. There must also be coordination efforts in the intergovernmental bodies of these organizations.

These steps alone, however, will not insure complete success. Member governments must also make sure that their representatives to the various organizations reflect a single, coordinated policy. Governmental coordination is especially difficult and requires constant vigilance in the new complex field of atomic energy, because atomic energy has so many useful applications and is of interest to so many organizations and groups. These combined efforts, on all levels, national and international, will make it possible to avoid overlapping activities. Only in this way can the resources of each organization best be applied to achieving common goals without wasting limited funds and manpower.

We note that the modest goal for a voluntary operational fund of \$1.5 million has not yet been fully subscribed. The present total of contributions, including \$500,000 already pledged by the U.S., is around \$900,000. There are as yet untapped resources available to the operating fund. For example, the U.S. has pledged to match, on a dollar-for-dollar basis, up to \$250,000, all contributions over and above \$1 million. As yet, no part of this offer has been taken up. In light of this situation we hope that those members who have already pledged will consider increasing their contributions and those who have not yet pledged will proceed to do so.

Mr. President, my Government is just as convinced as it has been from the beginning that a

well-organized instrumentality of the international community of nations in the field of peaceful uses of atomic energy is bound to bring profound benefits to mankind. We are also confident that the foundations for the agency's development laid down in its statute and its first year of operation are sound and offer every promise of success. The present report reinforces our belief that we may look forward to an increasingly fruitful contribution by this newest member of the United Nations family.

## Thomas A. Fulham Appointed to Fisheries Commission

The White House on November 18 announced that the President had on that day appointed Thomas A. Fulham to be a U.S. Commissioner on the International Commission for the Northwest Atlantic Fisheries, vice Bernhard Knollenberg, resigned.

### TREATY INFORMATION

## Current Actions

### MULTILATERAL

#### Automotive Traffic

Convention concerning customs facilities for touring. Done at New York June 4, 1954. Entered into force September 11, 1957. TIAS 3879.

*Accession deposited (with reservations):* Ghana, June 16, 1958.

Customs convention on temporary importation of private road vehicles. Done at New York June 4, 1954. Entered into force December 15, 1957. TIAS 3943.

*Accession deposited (with a reservation):* El Salvador, June 18, 1958.

#### Copyright

Universal copyright convention. Done at Geneva September 6, 1952. Entered into force September 16, 1955. TIAS 3324.

*Ratification deposited:* Ireland, October 20, 1958.

*Adherence deposited:* Liechtenstein, October 22, 1958.

#### Finance

Agreement on German assets in Portugal and on certain claims regarding monetary gold. Signed at Lisbon October 27, 1958. Enters into force on the date of entry into force of an agreement of April 3, 1958, between the Federal Republic of Germany and Portugal

relating to German assets in Portuguese territory. *Signatures:* France, Portugal, United Kingdom of Great Britain and Northern Ireland, United States.

### Trade and Commerce

Protocol amending preamble and parts II and III of the General Agreement on Tariffs and Trade. Done at Geneva March 10, 1955. Entered into force October 7, 1957. TIAS 3930.

*Declaration deposited (recognizing signature as binding):* Netherlands, August 26, 1958.

Seventh protocol of rectifications and modifications to the texts of the schedules to the General Agreement on Tariffs and Trade. Done at Geneva November 30, 1957. Enters into force on date on which signed by all contracting parties to the General Agreement.

*Signatures:* Austria, Luxembourg, New Zealand, Pakistan, Union of South Africa, November 30, 1957; Netherlands, December 4, 1957; Norway, December 6, 1957; Belgium, December 13, 1957; Finland, January 20, 1958; Denmark, February 17, 1958; Sweden, March 4, 1958; Federation of Rhodesia and Nyasaland, April 29, 1958; Australia, May 22, 1958; Indonesia, June 12, 1958; Turkey, August 7, 1958; United States, November 7, 1958.

### BILATERAL

#### Greece

Agreement further amending the agricultural commodities agreement of December 18, 1957, as amended (TIAS 3959 and 4017). Effected by exchange of notes at Athens November 10, 1958. Entered into force November 10, 1958.

#### Mexico

Agreement further amending the first memorandum of understanding to the agricultural commodities agreement of October 23, 1957, as amended (TIAS 3935 and 4070). Effected by exchange of notes at Mexico City November 7, 1958. Entered into force November 7, 1958.

### PUBLICATIONS

### Recent Releases

*For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C. Address requests direct to the Superintendent of Documents, except in the case of free publications, which may be obtained from the Department of State.*

*The Biographic Register, 1958.* Pub. 6660. Department and Foreign Service 77. ix, 752 pp. \$5.50.

A publication containing biographies for certain employees of the Department of State, the United States Mission to the United Nations, the International Cooperation Administration, and the United States Information Agency. Biographies are included also for the Foreign Agricultural Service of the Department of Agriculture.

*You and Your Passport.* Pub. 6666. Department and Foreign Service Series 79. 10 pp. 5¢.

A folder explaining in brief the requirements, the processes, and the responsibilities in obtaining a U.S. passport.

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No.	Date	Subject
694	11/17	Herter: "Management as a Factor in Economic Development."
†695	11/17	Senator Johnson: statement in General Assembly on outer space.
696	11/17	Murphy: 45th National Foreign Trade Convention.
697	11/17	Note protesting Soviet attacks on U.S. planes.
698	11/18	Dillon: Special Committee of OAS Council.
699	11/18	Jordan credentials (rewrite).
†700	11/18	Zellerbach: "Italy's Place in the Atlantic Alliance."
701	11/18	Dulles: "Principles and Policies in a Changing World."
†702	11/18	John Lodge: Spanish Institute, New York, N.Y.
*703	11/19	Hanes appointed SCA administrator (biographic details).
*704	11/19	Educational exchange (Uruguay).
705	11/20	Educational exchange (U.S.S.R.).
*706	11/20	Delegation to inauguration of President of Mexico.
707	11/21	Review of 13th session of GATT.
*708	11/20	Gallman appointed director general, Foreign Service (biographic details).
†709	11/21	Beale: 2d International Law Investment Conference.
710	11/21	Reply to Hungarian note of Sept. 20.
711	11/21	Board of Foreign Scholarships appointments.
*712	11/21	Babcock designated USOM director, Liberia (biographic details).
713	11/21	U.S.-Italy aid to San Marino.
*714	11/21	Nixon visit to London (members of party).
715	11/22	Recognition of Sudan Government.
716	11/22	Benjamin Franklin Foundation.

\* Not printed.

† Held for a later issue of the BULLETIN.

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